TEMPLE
Real Estate Investment Trust

2008 ANNUAL REPORT

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Unitholder Returns

	Year Ended December 31, 2008	Year Ended December 31, 2007
Distribution per unit	$1.10	$0.64
Opening unit price	$6.80	$4.95
Closing unit price	$5.00	$6.80
Annualized yield on opening price (distribution/opening unit price)	16.2%	12.9%

Temple Real Estate Investment Trust units are listed on the TSX Venture Exchange under the symbol "TR.UN". The Series A and Series B convertible debentures are listed on the TSX Venture Exchange under the symbol of "TR.DB.A" and "TR.DB.B", respectively.

REPORT TO UNITHOLDERS

During 2008, Temple REIT attained its investment objective of creating a diversified hotel portfolio and maximizing investment returns to the Unitholders.

Highlights for 2008 include the following:

- completed a $30 Million public offering of convertible debentures in March 2008;

- acquired three new hotels in 2008 at a combined purchase price of $81,900,000, encompassing a total of 431 rooms. The new properties include the Capri Centre, a 218-room hotel complex in Red Deer, Alberta which was acquired on December 30, 2008.

- paid total distribution of $1.10 per unit in 2008, compared to $0.64 in 2007.

- achieved improved results in financial and operational performance as indicated in the following chart:

	Year Ended					
				Per unit		
	December 31 2008	December 31 2007	% Change	December 31 2008	December 31 2007	$ Change
Net income	$8,708,263	$3,267,422	167%	$0.76	$0.41	$0.35
Cash from operating activities	$17,694,344	$8,093,477	119%	$1.47	$1.01	$0.46
Distributable income	$14,558,662	$6,160,804	136%	$1.27	$0.77	$0.50
FFO	$15,115,604	$6,583,385	130%	$1.31	$0.82	$0.49
Occupancy	73.55%	76.87%				
ADR	$183.78	$172.14				
RevPar	$135.18	$132.32				
Profit Margin	50.70%	49.47%				

The 2009 slowdown in the Alberta oilsands is reducing occupancy levels for Temple REIT's hotel portfolio in Fort McMurray. Given the unknown extent and length of the prevailing market conditions and the concentration of hotels in Fort McMurray, Temple REIT reduced the distribution amount for 2009 in order to conserve capital. Specifically Temple REIT has established a total distribution policy of $0.50 per unit for 2009. The reduction in the total distribution is being implemented with a change in the distribution policy from monthly distributions to quarterly distributions. Under the quarterly policy, distributions of $0.10 per unit would be payable during the balance of 2009 on July 15, October 15 and December 31 to the Unitholders of record as of June 30, September 30 and December 15, respectively. The three quarterly distributions in the combined amount of $0.30 per unit, plus the distribution of $0.10 per unit for January 2009 and February 2009 comprise the total projected annual distribution of $0.50 per unit for 2009.

During 2009, Temple REIT will commence hotel upgrades at two of its new hotels (the Capri Centre and the Best Western Hotel in Lloydminster). The upgrades at the Capri Centre will consist primarily of the refurbishment of guest rooms. It is anticipated that the room refurbishments and other hotel upgrades, will result in an improvement in the RevPar of the hotel. For the Best Western Hotel, the hotel upgrades will consist of the refurbishment of rooms, restaurant and the banquet and conference facilities. Due to the decline in market conditions, the upgrades will be completed over a longer time period than was previously anticipated and are expected to be completed by the end of next year.

The 68-room addition under construction at the Merit Hotel in Fort McMurray is expected to be completed during the second half of 2009 and will further improve the income potential and value of the property portfolio in 2010.

Given the favourable market positioning of the hotels located outside of Fort McMurray and the likelihood that market conditions in Fort McMurray will recover, we believe that Temple REIT offers potential for future growth.

The Board of Trustees and the management team of Atlific Hotel and Resorts together with Shelter Canadian Properties Limited remain committed to the long-term success of the Trust.

TEMPLE REAL ESTATE INVESTMENT TRUST

A.C. Thorsteinson

ARNI C. THORSTEINSON, CFA
President & Chief Executive Officer
April 22, 2009

2008 HIGHLIGHTS

Acquisition and Development

- Acquired three hotel properties during 2008, comprised of 431 suites, at a total purchase price of $81.9 Million.
- Invested $1,187,991 in property improvements, including a $500,000 payment in regard to the expansion of the Merit Hotel in Fort McMurray.
- Property portfolio as of December 31, 2008 consists of ten hotels, comprised of 1173 suites, with an appraised value of $287.8 Million.

Financial

- Revenue per occupied room (RevPar) increased for Fort McMurray properties to $156.04 per room in 2008, compared to $143.92 per room in 2007.
- Other hotel properties achieved RevPar of $114.32 per room in 2008, compared to $109.11 per room in 2007.
- Operating income increased by approximately $11.6 Million or 68% to $28.64 Million.
- Overall profit margin of 51%, compared to 49% in 2007.
- Net income increased by approximately $5.4 Million to $8.7 Million or $0.76 per unit.
- FFO increased by approximately $8.5 Million to $15.1 Million or $1.31 per unit.
- Distributable income increased by approximately $8.4 Million to $14.59 Million or $1.27 per unit.

Capital Structure

- Weighted average interest rate on the aggregate long term debt of 6.34% as of December 31, 2008, compared to 6.45% as of December 31, 2007.
- Ratio of mortgage loan debt to appraised value of 58% at December 31, 2008, compared to 60% as of December 31, 2007.

Ongoing Financing and Investment Activities

- During 2009, Temple REIT is undertaking major renovations or expansion projects at three hotels:

  - extensive hotel upgrades, consisting primarily of the refurbishment of guest rooms, are scheduled to commence at the Capri Centre during the second half of the year. In conjunction with the refurbishments, Temple REIT expects to licence the hotel with the Sheraton brand name.

  - a $1.25 Million capital expenditure program, consisting primarily of the refurbishment of the rooms, restaurant and the banquet and conference facilities, is scheduled to commence at the Best Western Wayside Inn and Suites during the second half of the year.

  - the construction of a 68-room addition to the Merit Hotel is currently in progress based on a fixed price contract of $19,040,000. The construction is expected to be completed during the second half of 2009 at which time the contract price, net of the initial deposit of $500,000 will be payable. The net amount owing will be partially satisfied by the issuance of a $4,500,000 4.5% Series C Convertible Debentures due December 31, 2014, with the remaining amount to be funded with **additional mortgage** loan financing.

Outlook for 2009

As a result of the decline in economic conditions throughout North America and particularly in Fort McMurray, Alberta, it is anticipated that Temple REIT will experience a reduced level of operating cash flow in 2009. Given the projected decrease in operating cash flow, Temple REIT has reduced its 2009 planned distribution to $0.50 per unit, compared to the total distribution of $1.10 per unit which was paid in 2008.

The capital expenditures which are planned for 2009 - 2010 are also conditional upon Temple REIT achieving a sufficient level of operating cash flow and/or obtaining additional mortgage loan financing to partially fund the capital expenditures. Additional details regarding the impact of economic uncertainty on the distribution policy, risk factor and overall operations of Temple REIT are provided in Management Discussion and Analysis.

Profile of Hotel Properties

Temple Gardens Mineral Spa Resort Hotel (Acquired on October 1, 2006)
The Temple Gardens Mineral Spa Resort Hotel is located in Moose Jaw, Saskatchewan and consists of a 179 guest rooms. The hotel also features a restaurant, café, banquet and meeting rooms, gift shop, fitness room, spa treatment centre and geo-thermal mineral water pool. The spa resort is most well known for its mineral-rich, geo-thermal therapeutic waters.

Chateau Nova (Acquired on March 22, 2007)
The Chateau Nova hotel property is located in Yellowknife, Northwest Territories and consists of a four-storey, 60-room hotel complex known as Chateau Nova, and a three-storey, 20-room annex, known as Chateau Nova Suites. The property offers a full range of services, including a full service restaurant, lounge, room service, meeting and conference rooms, business centre, fitness centre and spa services. Chateau Nova and Chateau Nova Suites are located across from each other on Franklin Avenue, the main street of downtown Yellowknife.

Clearwater Suites (Acquired on March 30, 2007)
The Clearwater Suites hotel complex is a four-storey, 150-room extended stay hotel complex, located in Fort McMurray, Alberta, comprised of 117 one-bedroom units, 11 two-bedroom units and 22 studio units. The property is operated as an extended stay lodging complex to accommodate oil sands and major project staff who stay in Fort McMurray for periods of one week to several months. The property also includes a 75-stall underground parkade.

Franklin Suites (Acquired on April 30, 2007)
The Franklin Suites is a five-storey, 75-room hotel located in Fort McMurray, Alberta. The hotel contains a business centre, two meeting rooms totaling approximately 850 square feet and fitness facilities. The hotel also contains provision for a restaurant/coffee shop, which is not fully developed and is currently used to serve complimentary continental breakfast.

Merit Hotel and Suites (Acquired on April 30, 2007)
The Merit Hotel is a four-storey, full service hotel located in Fort McMurray, Alberta, comprised of 92 rooms. The hotel offers a restaurant and lounge and also includes a business centre, two meeting rooms totaling approximately 2,500 square feet, indoor pool and whirlpool and fitness facilities.

Nomad Hotel (Acquired on April 30, 2007)
The Nomad Hotel is a seven-storey, full-service hotel located in Fort McMurray, Alberta, comprised of 139 rooms. The hotel offers a Keg Restaurant, cafe and pub and also includes approximately 1,200 square feet of meeting space, business centre, indoor pool and fitness facilities.

Nomad Suites (Acquired on April 30, 2007)
The Nomad Suites is a four-storey, extended stay hotel located in Fort McMurray, Alberta, comprised of 27 rooms. The hotel also includes a small area for serving complimentary breakfast. The hotel's front desk and management operations are handled through the Nomad Hotel.

Vantage Inn & Suites (Acquired on January 31, 2008)
The Vantage Inn & Suites is a four-storey hotel located in Fort McMurray, Alberta. The hotel contains 83 rooms, meeting facilities, a sports bar, business centre, fitness centre and continental breakfast area.

Best Western Wayside Inn & Suites (Acquired on June 1, 2008)
The Best Western Wayside Inn & Suites is located on the Yellowhead Highway in Lloydminster, Alberta. The six-storey hotel contains 130 rooms, banquet and conference facilities for a maximum of 450 people, licensed restaurant, cocktail lounge, liquor store, indoor swimming pool and fitness centre.

Capri Centre (Acquired on December 30, 2008)
The Capri Centre is a full service hotel, trade and conference centre located in Red Deer, Alberta. The complex includes a 14-storey hotel with 218 rooms, including 22 suites, a 53,110 square foot conference centre, three restaurants, three lounges, an outdoor, heated whirlpool and exercise room, a leased gift shop, clothing store and hair salon and a free-standing liquor store.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

Management's Discussion and Analysis ("MD&A") of Temple Real Estate Investment Trust ("Temple REIT" or the "Trust") should be read in conjunction with the financial statements of Temple REIT for the year ended December 31, 2008 and with reference to the quarterly reports for 2008.

Certain statements contained in this MD&A and in certain documents incorporated by reference herein are "forward-looking statements" that reflect the expectations of management regarding the future growth, results of operations, performance, prospects and opportunities of Temple REIT. Readers are cautioned not to place undue reliance on forward-looking information. All statements other than statements of historical fact contained or incorporated by reference herein are forward-looking statements including, without limitation, statements regarding the timing and amount of distributions and the future financial position, business strategy, potential acquisitions, plans and objectives of Temple REIT. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors, as discussed herein, could cause actual results to differ materially from the results discussed in forward-looking statements. Although the forward-looking statements contained or incorporated by reference herein are based upon what management believes to be reasonable assumptions, Temple REIT cannot assure investors that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Forward-looking statements are made as of the date hereof, or such other date specified in such statements, and neither Temple REIT nor any other person assumes any obligation to update or revise such forward-looking statements to reflect new information, events or circumstances, except as expressly required by applicable securities law.

Purchase Price/Acquisition Cost

Unless otherwise noted, all references to "purchase price(s)" or "acquisition cost(s)", as disclosed in this report, exclude closing costs and other adjustments on closing.

Appraised Value

In this management discussion and analysis, references are made to the appraised value of Temple REIT's property portfolio.

In summary, the total appraised value of the property portfolio is $287,780,000 at December 31, 2008. Appraisals of 2 properties, representing 26% of total appraised value, were prepared in 2008, appraisals of 7 properties, representing 54% of total appraised value, were prepared in 2007 and an appraisal of 1 property, representing 20% of total appraised value were prepared in 2007.

The appraised value is based on appraisals prepared by independent appraisers. The appraisals are estimates only, are made effective as at the date set forth in the appraisal and are subject to a number of assumptions, qualifications and limiting conditions, including but not limited to those described in such appraisals. Such assumptions, qualifications and limiting conditions generally include, among other things: (i) that title to the property is good and marketable; (ii) there are no encroachments, encumbrances, restrictions, leases or covenants that would in any way affect valuation, except as noted in the appraisals; (iii) the existing use of the property is legal and may be continued by any purchaser of the property; (iv) there has been no delinquency in the payment of taxes relating to the property; (v) that environmental laws have been complied with and there are no potentially hazardous materials on the property or any adjoining property; and (vi) that there are no patent or latent defects in the buildings located on the property.

There can be no assurance that appraised value of a property is an accurate reflection of the value of such property as at the effective date set forth in the appraisal or on any other date, including on December 31, 2008. In addition, there can be no assurance that the valuation method or the capitalization rate(s) used in appraising a property was appropriate for such property as at the effective date set forth in the appraisal or on any other date, including on December 31, 2008.

Temple REIT undertakes no obligation to update the appraised value of its portfolio from time to time.

Financial and Operating Statistics

	Year Ended					
	December 31 2008		December 31 2007		December 31 2006	
DISTRIBUTIONS						
Amount - total	$ 12,931,226		$ 5,348,041		$ 328,417	
- per unit	$ 1.10		$ 0.64		$ 0.14	
BALANCE SHEET						
Total Assets	$ 260,478,528		$ 184,615,851		$ 32,961,791	
Total Long-Term Debt and Convertible Debentures	$ 187,941,446		$ 131,212,484		$ 18,995,485	
KEY PERFORMANCE INDICATORS						
Operations:						
Occupancy *	73.55%		76.87%		74.04%	
ADR *	$183.78		$172.14		$139.66	
RevPar *	$135.18		$132.32		$103.40	
Operating profit margin *	50.70%		49.47%		27.57%	
Operating results:						
Total revenue	$ 56,481,296		$ 34,406,559		$ 2,985,282	
Operating income	$ 28,637,201		$ 17,018,646		$ 823,174	
Net income	$ 8,708,263		$ 3,267,422		$ 109,377	
Cash flows:						
Distributable income	$ 14,558,662		$ 6,160,804		$ 349,346	
Funds from operations	$ 15,115,604		$ 6,583,385		$ 347,378	
Financing:						
Weighted average interest rate of long-term debt *	6.34%		6.45%		6.15%	
PER UNIT AMOUNTS	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	$0.76	$0.75	$0.41	$0.40	$0.10	$0.10
Distributable income *	$1.27	$0.97	$0.77	$0.76	$0.31	$0.31
Funds from operations *	$1.31	$1.01	$0.82	$0.81	$0.31	$0.31

Non-GAAP Measurements

Items marked with an asterisk represent measurements which are not calculated or presented in accordance with GAAP or which do not have a standardized meaning as prescribed by GAAP. The non-GAAP measurements may not be comparable to the measurements which are provided by other entities and should not be used as an alternative to the measurements which are determined in accordance with GAAP for purposes of assessing the performance of Temple REIT. Temple REIT believes, however, that the non-GAAP measurements are useful in supplementing the reader's understanding of the performance of the Trust.

FFO is a measure of cash flow that is not defined under Canadian GAAP, and accordingly, may not be comparable to similar measures used by other issuers. Funds from operations (FFO) is defined as net income in accordance with Canadian GAAP, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization, future income taxes (recovery) expense and unit based compensation that is included in the computation of net income, and making any other adjustments determined by the trustees of the REIT in their discretion.

Details regarding the calculation of the non-GAAP measurements and a reconciliation to GAAP measurements, where applicable, are provided in the report.

OVERVIEW OF TRUST OPERATIONS

Creation of Temple Real Estate Investment Trust ("Temple REIT")

Prior to its re-organization as a real estate investment trust, Temple REIT existed as a capital pool company known as "HPVC Inc.". HPVC Inc. was incorporated under the Canada Business Corporations Act on August 5, 2005, completed its initial public offering on February 22, 2006 and became a publicly listed company on the TSX Venture Exchange on February 27, 2006.

On October 1, 2006, HPVC Inc. completed a Qualifying Transaction whereby, pursuant to a Plan of Arrangement, HPVC Inc. was reorganized into a real estate investment trust, under the name of "Temple Real Estate Investment Trust". In accordance with the Plan of Arrangement, the common shares of HPVC Inc. were exchanged for trust units of Temple REIT on a ten to one basis and all of the assets and liabilities of HPVC Inc. were transferred to the Trust.

Overall Investment Objectives and Strategy

Primary Objectives

Temple REIT is an open-ended real estate investment trust with a long-term focus on owning and acquiring a geographically and sectorally diversified portfolio of hotel properties and assets in primary and secondary markets across Canada. The objectives of Temple REIT are to generate stable and growing cash distributions on a tax-efficient basis, enhance the value of Temple REIT's assets and maximize long-term unit value through the active management of its assets, and expand the asset base and increase distributable income through an accretive acquisition program.

Growth

The general strategy of Temple REIT for external growth is to pursue the acquisition of hotel properties and assets in markets across Canada and, possibly in the United States, based on an investment criteria which focuses on return of equity, security of cash flow and potential for capital appreciation. The target capitalization rate for hotel acquisitions is between 9% and 13%.

The assessment of the capital appreciation potential of targeted properties includes an evaluation of market conditions, an analysis of the available opportunities for increasing cash flows by implementing more efficient operating systems, and an examination of the potential redevelopment or expansion opportunities for the property.

The overall investment strategy of Temple REIT will also encompass the acquisition of hotels in regional clusters and of similar asset sizes in order to create economies of scale. Temple REIT will also focus on acquiring hotels in solid physical condition with minimal initial capital expenditure requirements.

Financing

The overall strategy of Temple REIT is to raise investment capital through the issuance of trust units or convertible debentures. In general, new property acquisitions will be funded by arranging new mortgage financing or assuming existing mortgage financing, with the remaining equity portion to be funded from the reserves of investment capital. The equity portion of new property acquisitions may also be partially funded by the exchange of trust units.

The strategy of Temple REIT is to efficiently utilize and manage leverage, targeting mortgage debt in the range of 60% to 70% of appraised value to maximize return on equity while maintaining cash flow stability. Temple REIT will pursue the upward refinancing of under-leveraged properties or the subsequent arrangement of mortgage financing for properties which are initially acquired on a 100% cash basis.

Temple REIT will also utilize acquisition lines of credit, bridge financing and other short-term financing facilities as a source of interim investment capital, as investment opportunities arise, pending the replenishment of capital reserves from additional trust unit or convertible debenture offerings.

Management

Temple REIT has assembled a skilled and experienced management team in order to assist the Trust in achieving its business objectives. The management team of Temple REIT have experience in the hotel industry and have developed key relationships with vendors across North America which should enable Temple REIT to gain access to a significant acquisition pipeline.

Asset management services are provided to Temple REIT by Shelter Canadian Properties Limited. Shelter Canadian brings real estate investment, development and asset management experience to Temple REIT. Please refer to the section of this report entitled "Related Party Transactions" for details of the remuneration of Shelter Canadian.

The hotel properties of Temple REIT will be primarily, but not exclusively, operated and managed by Atlific Hotels and Resorts ("Atlific"). Atlific currently manages a portfolio of approximately 40 properties across Canada, including hotels with the Marriott, Best Western, Comfort Inn and Holiday Inn brands. Atlific is an affiliate of Ocean Properties Ltd., one of the largest privately-owned hotel management companies in North America. Combined, Atlific and Ocean Properties have over 80 years of experience in hotel management and manage a portfolio of 100 properties. Details of the terms of the Atlific management agreements for the hotels in the Temple REIT portfolio are provided in the section of this report entitled "Hotel Management".

IMPACT OF ECONOMIC AND FINANCIAL UNCERTAINTY ON OPERATIONS

General

There is economic uncertainty and financial market volatility throughout the global marketplace. The decline in economic conditions was essentially triggered in the fourth quarter of 2008, as ongoing news of the severity of the financial crisis intensified and financial markets throughout the world declined in value.

The economic and financial market uncertainty has also affected the overall operations, financial condition and business strategies of Temple REIT, as discussed below.

Reduction of Distributions

As a result of the continuing deterioration of the Canadian economy, it is anticipated that there will be a reduction in the operating cash flow of Temple REIT during 2009 and a corresponding reduction in the amount of cash, which is available to fund distributions. Given the degree of uncertainty which exists in regard to projected cash flow amounts, Temple REIT believes that it is prudent to reduce the level of distributions for 2009. In this regard, Temple REIT has established a total planned distribution of $0.50 per unit for 2009, compared to a total of $1.10 per unit for 2008.

The reduction in the total distribution for 2009 is being implemented in conjunction with a change in the distribution policy from monthly distributions to quarterly distributions. Temple REIT announced a change from a monthly distribution policy to a quarterly distribution policy, whereby quarterly distributions of $0.10 per unit are planned, commencing in the second quarter of 2009. The three quarterly distributions in 2009, in the combined amount of $0.30 per unit, plus the distributions of $0.10 per unit which were declared for January 2009 and February 2009, comprise the total projected distribution of $0.50 per unit.

Unit Value

Although there are a multitude of complex factors affecting the price of a publicly traded investment, the volatility in global financial markets has negatively impacted the trading price of the trust units of Temple REIT. The impact of ongoing economic uncertainty on financial markets continues to be one of the primary risk factors associated with publicly traded investments, including investments in the units of Temple REIT.

Hotel Market Conditions

Temple REIT has a high concentration of hotels located in Fort McMurray, Alberta. During 2008, the hotel portfolio in Fort McMurray accounted for 72% of the total operating income of Temple REIT.

As a result of the decline in oil prices, there has been a slowdown in Fort McMurray, a reduction in the level of activity in oil sands construction and a weakening of market conditions in the hotel industry. The decline in market conditions is having a negative impact on revenue and operating income for the hotel portfolio in Fort McMurray. During the first quarter of 2009, the Revenue per Available Room ("RevPar") for the entire Fort McMurray portfolio is $114.58, compared to $141.35 in the fourth quarter of 2008. For the entire year in 2008, the RevPar for the Fort McMurray hotel portfolio was $154.70.

In addition to the six hotel properties in Fort McMurray, Temple REIT has four hotels located in Moose Jaw, Saskatchewan; Yellowknife, Northwest Territories; Lloydminster and Red Deer, Alberta. Although hotel market conditions in all of these locations have been negatively affected by the downturn in economic conditions, the overall impact has been substantially less in comparison to Fort McMurray.

As the Capri Centre in Red Deer was acquired on December 30, 2008, Temple REIT does not have prior quarter revenue results for comparative purposes. During the first quarter of 2009, the hotel achieved a relatively consistent occupancy level and there has not been a noticeable decrease in bookings for the second quarter.

For the other three hotels, there will be a modest improvement in RevPar during the first quarter of 2009, compared to the fourth quarter of 2008, due largely to the projected results for Temple Gardens Mineral Spa, which has been able to achieve an increase in both occupancy and average daily room rates.

The hotels in Lloydminster and Red Deer will also make a significantly greater contribution to operating cash flow in 2009, due to the inclusion of a longer period of operation. The hotel in Red Deer was acquired on December 30, 2008, will result in 12 months of incremental cash flow, while the hotel in Lloydminster was acquired on June 1, 2008 and will add five months of incremental cash flow in 2009.

In summary, the slowdown in the Fort McMurray economy is the primary economic issue facing Temple REIT in 2009 due to the high concentration of its hotels in the City. The potential impact of a prolonged period of lower oil prices on the Fort McMurray hotel industry is one of the main risk factors for Temple REIT.

Capital Expenditures

The decline in market conditions in the hotel industry and the projected decrease in operating cash flow has affected the extent and timing of the capital expenditure plans of Temple REIT, as follows:

(i) it was previously anticipated that an $8 Million capital expenditure program would be implemented at the Capri Hotel and completed over a period of approximately 12 months, commencing after the acquisition date on December 30, 2008. The capital expenditure program is now expected to be completed over a longer time period; and

(ii) the budget for the capital expenditure program for the Best Western Wayside Inn and Suites has been reduced from $1.5 Million to $1.25 Million.

The capital expenditure programs that are scheduled for 2009 - 2010 are expected to be partially funded from mortgage loans. In the event that adequate financing arrangements cannot be completed, it will be necessary for Temple REIT to either reduce or extend the completion date of the improvements.

Financing of Merit Hotel Expansion

The construction of 68 additional guest rooms at the Merit Hotel in Fort McMurray commenced in 2008 with an estimated completion date in the second half of 2009. The hotel expansion is being completed pursuant to a fixed price contract of $19,040,000. The contract amount is payable at the completion of construction, net of the initial deposit of $500,000.

The net amount payable of $18,540,000 will be partially satisfied by the issuance of a $4.5 Million Series C Convertible Debenture to the contractor. The debenture will bear interest at a rate of 4.5%, with a due date of December 31, 2014.

The balance of the amount payable of $14.04 Million is expected to be financed with additional first mortgage debt which is currently being negotiated.

Liquidity

General

In addition to the existing cash resources of Temple REIT and the cash flow which is generated from operations, the funds derived from new mortgage loans, the repayment of mortgage loan receivable and the potential sale of securities constitute sources of funding for the investment activities of the Trust and the funding of distributions.

Mortgage Loans Receivable

The current assets of Temple REIT include a mortgage receivable of $6 Million, plus accrued interest of $610,920, as of December 31, 2008. The loan bears interest at 10% per annum, with payments of interest and principal due on the new maturity date of May 1, 2009.

The loan is secured by a charge registered against the Nova Inn in Edson, Alberta and the Nova Inn in Whitecourt, Alberta. As additional consideration for advancing the funds, Temple REIT obtained right of first refusal to acquire the Nova Airport Hotel in Fort McMurray, Alberta, the Nova Inn in Peace River, Alberta and the Nova Inn in Whitecourt, Alberta. The right of first refusal expires December 31, 2009. The underlying purpose of the loan is to secure the hotels for future potential acquisition, while maximizing the return on capital reserves. The recession has increased the risk of the borrower encountering financial problems and the inability of the borrower to repay the loan would have adverse consequences on the liquidity of Temple REIT.

Investment in Marketable Equity Securities

During 2008, Temple REIT purchased marketable equity securities at a cost of $1,603,291 as a short-term investment of excess cash reserves. The market price of the equity securities decreased during the year, largely due to the volatility and overall decline in financial markets. Specifically, the market value of the securities at December 31, 2008 was $665,550, representing a decrease of $881,797, compared to the original cost, less distributions of $55,944.

The change in the value of the marketable equity securities, net of distributions received on the securities, is reflected as a loss on the income statement of Temple REIT and added-back for purposes of determining the operating cash flow of the Trust.

Due to the continued volatility in the financial markets, there is a risk that the marketable equity securities will experience an additional decline in value in 2009.

Debt Maturities

The negative impact of the financial crisis on debt markets has also increased the level of risk for Temple REIT in regard to debt financing.

As disclosed in more detail elsewhere in the MD&A, Temple REIT has $6.7 Million of mortgage loan debt secured by its hotel in Yellowknife, Northwest Territories maturing during 2009. The economic and financial uncertainty has resulted in a more restrictive and conservative lending market and, in the unlikely event that Temple REIT is unable to renew its mortgage loan debt at maturity, or obtain replacement financing, Temple REIT would not be in a position to repay the debt and would be in default of its debt obligations. In such event, the lenders could potentially take action against Temple REIT and the indebted properties. It could also be necessary for Temple REIT to direct funds, which would otherwise be used for distributions or capital expenditures, to retire mortgage debt.

Temple REIT also has a second mortgage loan of $10 Million registered against Clearwater Suites. The loan matures on February 1, 2010 and bears interest at 6% until August 1, 2009 and at 20% thereafter. Temple REIT intends to obtain replacement financing for the loan prior to August 1, 2009.

Other Risk Factors

There are many other risk factors associated with an investment in Temple REIT, many of which are not directly related to, or directly affected by, the current level of uncertainty in global economic conditions. As with previous reports, the key risk factors, including the above noted risks regarding public market investments, general economic conditions and the concentration of properties in Fort McMurray, are also discussed in the latter sections of the MD&A. Other risks and uncertainties are more fully explained in the other regular filings of Temple REIT, including the Annual Information Form. A discussion of risk management and the management of capital is contained in the accompanying financial statements.

Property Portfolio

Portfolio Summary - December 31, 2008

As disclosed in the following chart, the real estate portfolio of Temple REIT consists of ten hotel properties, as of December 31, 2008, comprising 1,173 rooms and with a total acquisition cost of $246 Million.

Property Portfolio - September 30, 2008

Property	Location	Purchase Price	Acquisition Date	Rooms/Suites
Alberta				
Clearwater Suite Hotel	Fort McMurray	$ 56,500,000	March 2007	150
Merit Hotel and Suites	Fort McMurray	16,000,000	April 2007	92
Franklin Suites	Fort McMurray	18,800,000	April 2007	75
Nomad Hotel	Fort McMurray	23,700,000	April 2007	139
Nomad Suites	Fort McMurray	10,000,000	April 2007	27
Vantage Inn & Suites	Fort McMurray	19,400,000	January 2008	83
Best Western Wayside Inn & Suites	Lloydminster	22,500,000	June 2008	130
Capri Centre	Red Deer	40,000,000	December 2008	218
		206,900,000		914
Northwest Territories				
Chateau Nova	Yellowknife	13,000,000	March 2007	80
Saskatchewan				
Temple Gardens Mineral Spa Resort Hotel (1)	Moose Jaw	26,102,670	October 2006	179
Total		$ 246,002,670		1,173

Note:

(1) Ownership of the Temple Gardens hotel is held by Temple Gardens Mineral Spa Inc. (TGMS). All of the common shares of TGMS were acquired by Temple REIT at the inception of the Trust for cash consideration of $12,248,408, by issuing 276,771 trust units at a deemed value of $1,383,855 and by the assumption of long-term debt of $12,470,407, representing a total acquisition cost of $26,102,670.

The operations of TGMS also encompass a co-ownership agreement in regard to a 23,400 square foot casino complex which is located directly across from the Temple Gardens hotel. The casino complex, which is known as "Casino Moose Jaw", is subject to a 25-year lease under which the tenant is responsible for all costs associated with the leased premises, including structural or foundation repairs or replacement. TGMS has a 50% equity interest in the co-ownership agreement.

RESULTS OF OPERATIONS

Change in Property Portfolio

In 2008, Temple REIT acquired three additional hotel properties, however, one of the hotels (the Capri Centre) was acquired, on December 30, 2008, and had a very minor impact on the revenues and operating expenses of the Trust. In regard to the other two hotels, Vantage Inn and Suites was acquired at the beginning of the year, on January 31, 2008, while Best Western Wayside Inn and Suites was acquired, on June 1, 2008. The operations of the two new hotels for a period of eleven months and seven months, respectively, was also one of the primary variables affecting revenue and cost increases in 2008.

During 2007, the hotel portfolio of Temple REIT increased from one hotel at the start of the year (the Temple Gardens Mineral Spa Resort) to seven hotels as of December 31, 2007. The six hotel acquisitions in 2007 occurred at the end of March and April and, as a result, the hotels did not contribute a full year of operating income to Temple REIT in 2007. The operations of the six hotels for the entire year in 2008, compared to a partial year in 2007, is one of the primary variables affecting revenue and expense increases in 2008.

After pro-rating the number of rooms in each hotel, based on property acquisition dates, the property portfolio of Temple REIT consisted of an average of 894 available rooms per month during 2008, compared to an average of 576 available rooms per month during 2007. On a percentage basis, the average number of available rooms was 66% higher in 2008.

Comparison to Prior Year

Analysis of Net Income - 2008 vs. 2007

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Hotel revenue				
Room	$ 45,409,497	$ 27,723,728	$ 17,685,769	64 %
Other	8,300,285	4,972,831	3,327,454	67 %
Total hotel revenue	53,709,782	32,696,559	21,013,223	64 %
Interest and other income	2,771,514	1,710,000	1,061,514	62 %
Total revenue	56,481,296	34,406,559	22,074,737	64 %
Operating expenses	27,844,095	17,387,913	10,456,182	60 %
Operating income	28,637,201	17,018,646	11,618,555	68 %
Finance expense	12,281,232	9,272,047	3,009,185	32 %
Trust expense	733,478	760,500	(27,022)	(4)%
Amortization	5,077,624	3,216,254	1,861,370	58 %
Change in marketable securities	881,797	-	881,797	100 %
Provision for taxes	954,807	502,423	452,384	90 %
Net income	$ 8,708,263	$ 3,267,422	$ 5,440,841	167 %

Overall Results

Temple REIT completed 2008 with net income of $8,708,263, compared to $3,267,422 during 2007, representing an increase in net income of $5,440,841.

The increase in net income mainly reflects the following factors:

(i) an increase in operating income from hotel operations of $11,618,555 or 68%;

(ii) an increase in financing expense of $3,009,185 or 32%;

(iii) an increase in amortization expense of $1,861,370 or 58%;

(iv) an unrecognized book loss of $881,797 in regard to a change in the fair value of the marketable securities which were purchased during the year;

(v) an increase in income taxes of $452,384 or 90%; and

(vi) a decrease in Trust expense of $27,022 or 4%.

The increase in operating income from hotel operations is comprised of a $21 Million increase in revenue from hotel operations, net of a $10.5 Million increase in hotel operating costs.

All of the above noted factors are analyzed in the following sections of this report.

Revenue

Total Revenue

Analysis of Total Revenues

	% of Total	
	Year Ended	
	December 31 2008	December 31 2007
Hotel revenue		
Room	80 %	81 %
Other	15 %	14 %
Total hotel revenue	95 %	95 %
Interest and other income	5 %	5 %
Total	100 %	100 %

The revenue of Temple REIT is comprised of "hotel revenue" and "interest and other income". For analytical purposes, "hotel revenue" is divided into two components, namely "room revenue" and "other hotel revenue".

As disclosed in the preceding chart, room revenue is the primary source of revenue for Temple REIT, accounting for 80% and 81% of total revenues in 2008 and 2007, respectively.

Room Revenue

Room Revenue Analysis

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Pre 2008 Acquisitions				
Fort McMurray Properties	$ 27,873,827	$ 17,810,421	$ 10,063,406	57 %
Other Properties	11,114,439	9,913,307	1,201,132	12 %
Subtotal	38,988,266	27,723,728	11,264,538	41 %
2008 Acquisitions				
Fort McMurray Properties	4,147,849	N/A	4,147,849	N/A
Other Properties	2,273,382	N/A	2,273,382	N/A
Subtotal	6,421,231	N/A	6,421,231	N/A
Total	$ 45,409,497	$ 27,723,728	$ 17,685,769	64 %

Room revenue increased by $17,685,769 or 64% during 2008, compared to 2007. The increase mainly reflects the incremental room revenue from the six hotel properties which were acquired in 2007, due to the longer operating period in 2008, as well as additional revenue associated with the acquisition of the Vantage Inn and the Wayside Inn in 2008. As disclosed in the preceding chart, room revenue from the "prior year" hotels increased by $11,264,538 during 2008, representing 41% to the total increase in room revenue during the year, while the new hotel acquisitions contributed $6,421,231 to room revenues during 2008 of which $11,820 pertains to the Capri Centre. The revenue contribution by the Capri Centre was nominal in 2008, as the acquisition of the hotel occurred on December 30, 2008.

A summary of the revenue statistics for the hotel portfolio of Temple REIT is provided in the following chart. As disclosed in the chart, the Revenue per Available Room ("RevPar") for the "pre 2008 hotel portfolio" increased to $141.69 per room in 2008, compared to $132.32 per room in 2007. The increase in RevPar reflects an increase in the RevPar of both the Fort McMurray hotels and the two other "pre 2008" hotels. The increase in RevPar reflects a slight decrease in the average occupancy level and an increase in the average daily room rate.

In regard to the 2008 hotel acquisitions, the RevPar for the Vantage Inn and Suites in Fort McMurray was comparable to the RevPar for the other five Fort McMurray hotels at $149.34 per room, while the RevPar for the Best Western Wayside Inn and Suites in Lloydminster, Alberta was comparatively lower at $81.96 per room.

The RevPar results for the Fort McMurray hotels are well in excess of both the industry average and the RevPar results for other Temple REIT hotels. The high RevPar levels for the Fort McMurray portfolio reflect the exceptional rate of economic growth which was experienced by the City in 2007 and 2008 due to booming activity in the oilsands industry. Notwithstanding the higher RevPar results for the Fort McMurray hotels, the RevPar results for the other hotels in the Temple REIT portfolio are making a contribution to the operating income of the Trust.

Room Revenue Statistics (excluding Capri Centre)

	Year Ended					
	2008			2007		
	Occ	ADR	RevPar	Occ	ADR	RevPar
Pre 2008 Acquisitions						
Fort McMurray Properties	75 %	$ 208.83	$ 156.04	77 %	$ 186.67	$ 143.92
Other Properties	74 %	$ 152.04	$ 112.99	76 %	$ 142.81	$ 109.11
Subtotal	75 %	$ 189.97	$ 141.69	77 %	$ 172.14	$ 132.32
2008 Acquisitions						
Fort McMurray Properties	78 %	$ 191.20	$ 149.34	N/A	N/A	N/A
Other Properties	63 %	$ 130.47	$ 81.96	N/A	N/A	N/A
Subtotal	70 %	$ 164.13	$ 115.65	N/A	N/A	N/A
Overall portfolio	74 %	$ 183.78	$ 135.18	77 %	$ 172.14	$ 132.32

RevPar is a non-GAAP measurement which is commonly used within the hotel industry to evaluate hotel operations and is generally considered to be the leading indicator of operating performance. RevPar is calculated by multiplying the average daily room rate ("ADR") by the occupancy level. RevPar does not include revenues from food and beverage operations or from other hotel service.

The occupancy level is calculated by dividing the number of rooms available during the reporting period into the number of rooms actually rented. ADR is calculated by dividing total room revenue by the number of rooms rented.

Other Hotel Revenue

Other Hotel Revenue	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Pre 2008 Acquisitions				
Fort McMurray Properties	$ 736,750	$ 381,956	$ 354,794	93 %
Other Properties	4,939,951	4,590,875	349,076	8 %
Subtotal	5,676,701	4,972,831	703,870	14 %
2008 Acquisitions				
Fort McMurray Properties	236,946	N/A	236,946	N/A
Other Properties	2,386,638	N/A	2,386,638	N/A
Subtotal	2,623,584	N/A	2,623,584	N/A
Total	$ 8,300,285	$ 4,972,831	$ 3,327,454	67 %

"Other hotel revenue" includes food and beverage revenue, spa revenue, Video Lottery Terminal (VLT) revenue, parking and gift shop revenue.

During 2008, "Other Hotel Revenue" increased by $3,327,454 or 67% compared to 2007, mainly due to the incremental revenue from the Best Western Wayside Inn and Suites. The substantial contribution from the Best Western Wayside Inn and Suites reflects the location of the hotel on the Yellowhead Highway and the liquor store at the hotel.

Hotels which encompass more extensive amenities, such as full service, licensed restaurants or banquet and conference facilities, generate a higher amount of "other hotel revenue", in comparison to the other hotels. During 2008, the majority of "other hotel revenue" was derived from Temple Gardens Mineral Spa Resort, Chateau Nova and the Best Western Wayside Inn and Suites.

Interest and Other Income

Interest and other income consists of interest income on the excess cash reserves of the Trust, interest income on a mortgage loan receivable, income related to the co-ownership interest of the Temple Gardens hotel in "Casino Moose Jaw", interest income on the operating cash balances of the hotel properties and miscellaneous hotel income. The mortgage loan receivable is comprised of a $2 Million loan advance which was issued during the second quarter of 2007 and a $4 Million loan advance which was issued during the fourth quarter of 2007.

During 2008, "Interest and Other Income" increased by $1,061,514, compared to 2007. Approximately 44% of the increase in "Interest and Other Income" is due to an increase in interest income on the mortgage loan receivable and approximately 22% is due to an increase in other income on the 2008 hotel acquisitions.

Hotel Operating Costs

Hotel operating costs include all costs related to the operation of the hotel properties, including asset management fees pertaining to the gross revenues of the hotel properties. Expenses related to the overall administration and management of the Trust, including legal, audit and securities commission fees are classified as "Trust" expenses. An analysis of hotel operating costs is provided below.

Operating costs

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Pre 2008 Acquisitions				
Fort McMurray Properties				
Cost of sales and administrative	$ 5,403,065	$ 3,477,087	$ 1,925,978	55 %
Marketing, utilities and maintenance	3,528,811	2,253,426	1,275,385	57 %
Rent, property taxes and insurance	1,424,130	953,004	471,126	49 %
Fees	910,086	549,488	360,598	66 %
	11,266,092	7,233,005	4,033,087	56 %
Other Properties				
Cost of sales and administrative	6,488,056	6,111,990	376,066	6 %
Marketing, utilities and maintenance	3,295,243	2,724,667	570,576	21 %
Rent, property taxes and insurance	919,772	876,739	43,033	5 %
Fees	548,343	441,512	106,831	24 %
	11,251,414	10,154,908	1,096,506	11 %
Sub-total	22,517,506	17,387,913	5,129,593	30 %
2008 Acquisitions				
Fort McMurray - Vantage Inn				
Cost of sales and administrative	1,010,749	-	1,010,749	N/A
Marketing, utilities and maintenance	613,721	-	613,721	N/A
Rent, property taxes and insurance	161,907	-	161,907	N/A
Fees	180,897	-	180,897	N/A
	1,967,274	-	1,967,274	N/A
Other - Best Western Wayside Inn and Capri Centre				
Cost of sales and administrative	2,484,913	-	2,484,913	N/A
Marketing, utilities and maintenance	502,360	-	502,360	N/A
Rent, property taxes and insurance	193,956	-	193,956	N/A
Fees	178,086	-	178,086	N/A
	3,359,315	-	3,359,315	N/A
Sub-total	5,326,589	-	5,326,589	N/A
Total	$ 27,844,095	$ 17,387,913	$ 10,456,182	60 %

Notes:

(1) Cost of Sales consists primarily of variable costs which are directly associated with revenues generated from hotel sales. Cost of Sales also includes bad debt expense. Administrative costs include employees wages and administrative office expenses.

(2) Fees include asset management fees related to the gross revenue of the hotel properties and property management fees, as follows:

Analysis of Fees included in Operating Costs

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Atlific property management fees	$ 983,610	$ 482,917	$ 500,693	104 %
SCPL asset management fees	833,802	508,083	325,719	64 %
Total	$ 1,817,412	$ 991,000	$ 826,412	83 %

During 2008, hotel operating costs increased by $10,456,182 or 60%, compared to 2007. As with room revenues, the increase in hotel operating costs mainly reflects the incremental costs associated with the six hotel acquisitions in March and April 2007 and the additional costs associated with the acquisition of the Vantage Inn and the Wayside Inn in 2008. During 2008, hotel operating costs for the "pre-2008" hotel portfolio increased by $5,129,593 or 30%, while the operating costs for the hotel acquisitions in 2008 amounted to $5,326,589.

To a large degree, the operating costs of the hotels are variable in nature and the percentage cost increases in 2008 are directly related to the extent of room revenue increases. The variance between the cost increase percentages for the Fort McMurray portfolio and the other pre-2008 hotels, mainly reflects the fact that the Fort McMurray portfolio accounted for almost 98% of the increase in room revenues for the "pre-2008" hotel portfolio.

Operating Profit Margin

Profit Margin

	Year Ended December 31	
	2008	2007
Pre 2008 Acquisitions		
Fort McMurray properties	62 %	61 %
Other properties	33 %	33 %
Sub-total	51 %	49 %
2008 Acquisitions		
Fort McMurray Properties	56 %	N/A
Other Properties	31 %	N/A
Sub-total	43 %	N/A
Total portfolio	51 %	49 %

A comparison of revenue increases, compared to operating cost increases for the "pre-2008" hotel portfolio in Fort McMurray indicates that total revenues increased by $10,418,200 or 57%, while operating costs increased by $4,033,087 or 56%. As revenue increases out-paced cost increases, the operating margin for the "pre-2008" hotel portfolio in Fort McMurray increased from 61% in 2007 to 62% in 2008. For the other "pre-2008" hotels, the profit margin remained unchanged at 33%.

The 56% profit margin which was achieved by the new hotel in Fort McMurray in 2008 (Vantage Inn and Suites) was comparable to the other Fort McMurray hotels. Similarly, the 32% profit margin which was achieved by the new hotel in Lloydminster in 2008 (Best Western Wayside Inn) was comparable to the other non-Fort McMurray hotels.

Overall the operating profit margin for the entire portfolio of hotel properties was 51% in 2008, compared to 49% in 2007. The profit margin is calculated by dividing operating income by total revenues.

Fort McMurray Portfolio

As of December 2008, six of the ten hotels in the Temple REIT portfolio are located in Fort McMurray, Alberta. All of the Fort McMurray hotels were acquired in March and April of 2007, aside from the Vantage Inn & Suites which was acquired on January 31, 2008.

An analysis of the operating income and profit margin of the Fort McMurray hotel portfolio, compared to the other hotels, is provided below.

As disclosed in the following analysis, the six hotels in Fort McMurray account for 72% of the operating income of the Trust in 2008. The operating profit margin of the six Fort McMurray hotels was 61% in 2008, compared to 33% for the other three hotels. As previously discussed in the room revenue section of this report, the high profit margin of the Fort McMurray hotels is due to the high level of economic growth in Fort McMurray in 2008. The 2008 results are not reflective of profit margin expectations for 2009, due to the decline which has occurred in the Fort McMurray economy in 2009.

Analysis of Operating Income*

	2008		2007	
	Amount	% of Total	Amount	% of Total
Fort McMurray Hotels				
Total revenue	$ 33,954,398		$ 18,771,433	
Total operating costs	13,233,366		7,233,002	
Operating income	20,721,032	72 %	11,538,431	68 %
Profit Margin	61 %		61 %	
Other Hotels				
Total revenue	$ 21,632,387		$ 15,100,816	
Total operating costs	14,610,729		10,154,908	
Operating income	7,021,658	25 %	4,945,908	29 %
Profit Margin	32 %		33 %	
Total operating income	$ 27,742,690	97 %	$ 16,484,339	97 %
Total profit margin	50 %		49 %	

* - Excludes $894,511 of operating income related to general Trust operations.

Change in Marketable Equity Securities

During the third and fourth quarter of 2008, Temple REIT invested $1,603,921 in marketable equity securities. The marketable equity securities consist of trust units in two Canadian hotel REIT's. As of December 31, 2008, the market value of the units was $665,550.

Investments in marketable equity securities are recorded at fair value. Accordingly, the carrying value of the trust units, as of December 31, 2008, was written down by $881,797, representing the change in value, net of distributions received on the securities.

The write-down of $881,797 is a non-cash transaction, and is "added back" for purposes of determining the cash from operating activities as disclosed on the Consolidated Statement of Cash Flows.

Finance Expense

Total Finance Expense

The majority of the financing expense of Temple REIT pertains to long-term debt. During 2008, finance expense in regard to long-term debt accounted for approximately 77% of the total finance expense of the Trust.

Financing expense encompasses interest expense on long-term debt and convertible debentures, defeasance mortgage interest, the accretion of the debt component of convertible debentures as well as amortization charges for transaction costs. The accretion of the debt component of convertible debentures, defeasance mortgage interest and amortization charges for transaction costs are non-cash expenses. During 2008, the "non-cash" component of financing expense represented 14% of the total finance expense.

Analysis of Financing Expense

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Long-term Debt and Defeasance Loan				
Interest on long-term debt	$ 8,737,170	$ 7,379,791	$ 1,357,379	18 %
Amortization of transaction costs	689,460	355,889	333,571	94 %
Subtotal	9,426,630	7,735,680	1,690,950	22 %
Defeasance mortgage interest	336,266	91,173	245,093	269 %
Amortization of defeasance transaction costs	37,752	8,907	28,845	324 %
Total - mortgage loans	9,800,648	7,835,760	1,964,888	25 %
Debentures				
Interest on convertible debentures	1,787,893	1,019,434	768,459	75 %
Accretion of debt component	534,606	310,909	223,697	72 %
Amortization of transaction costs	158,085	105,944	52,141	49 %
Total - debentures	2,480,584	1,436,287	1,044,297	73 %
Total - financing expense	$ 12,281,232	$ 9,272,047	$ 3,009,185	32 %

Interest Expense

The cash component of finance expense is comprised of interest expense on long-term debt and convertible debentures.

Interest expense on long-term debt increased by $1,357,379 or 18% during 2008, compared to 2007. The increase mainly reflects the following factors:

(i) an increase in financing expense on the mortgage loans for Chateau Nova and Clearwater Suites, due to the longer operating period in 2008;

(ii) additional financing expense on the mortgage loans in regard to the acquisition of the Vantage Inn in January 2008 and the Wayside Inn in June 2008; partially offset by

(iii) a reduction in financing expense on the mortgage loan financing for the Merit and Nomad hotel properties. The decrease in mortgage loan interest for the Merit and Nomad properties reflects the fact that mortgage loan interest was abnormally high for the properties during 2007 due to the premium interest charges and extension fees of approximately $1.4 Million which were incurred in regard to the extension of the "wrap-around" first mortgage loan.

Interest expense on convertible debenture debt increased by $768,459 or 75% during 2008, compared to 2007. The increase reflects the issuance of $30 Million of Series B convertible debentures on April 8, 2008, largely offset by the conversion of $11,914,012 of Series A convertible debentures in 2008 and the conversion of $10,033,800 of the Series B Debentures between April 9, 2008 and December 31, 2008.

Additional information regarding the mortgage loans and convertible debentures of the Trust is provided in the section of this report entitled "Capital Structure".

Trust Expense

Analysis of Trust Expenses

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Professional and legal fees	$ 301,523	$ 356,286	$ (54,763)	(15)%
TSX and other reporting/filing fees	104,365	131,756	(27,391)	(21)%
Other administrative costs	193,429	210,521	(17,092)	(8)%
SCPL asset management fees	24,857	18,631	6,226	33 %
Sub-total	624,174	717,194	(93,020)	(13)%
Unit based compensation	109,304	43,306	65,998	152 %
Total - financing expense	$ 733,478	$ 760,500	$ (27,022)	(4)%

The trust expense of Temple REIT consists of professional and legal fees, general administrative expenses related to overall Trust expenses, unit-based compensation expense, regulatory and filing fees charged by the TSX Venture Exchange and a small portion of the asset management fees of Shelter Canadian Properties Limited (i.e. asset management fees related to the gross revenue from general Trust operations). As previously discussed, the majority of asset management fees are included in hotel operating costs.

Trust expense decreased by $27,022 or 4% during 2008, compared to 2007. The decrease mainly reflects a decrease in professional and legal fees, regulatory and filing fees, and general administrative expenses, largely offset by an increase in unit-based compensation expense.

Unit-based compensation expense represents the fair value of units granted under the Unit Option Plan of the Trust. During 2008, the fair value associated with the options granted by the Trust was $109,304 (400,000 options in total) while in 2007 the fair value associated with the options granted by the Trust was $43,306 (98,000 options in total).

Amortization

During 2008, amortization charges increased by $1,861,370, compared to 2007.

The increase in amortization expense mainly reflects amortization charges on new property acquisitions.

Summary of Quarterly Results

Quarterly Analysis (1) (2)

	2008			
	Q4	Q3 (restated)	Q2	Q1
Total revenue	$ 14,624,757	$ 15,313,120	$ 14,246,410	$ 12,297,009
Operating income	$ 6,615,295	$ 7,897,240	$ 7,663,286	$ 6,461,380
Net income	$ 633,348	$ 2,978,257	$ 2,804,198	$ 2,292,460
PER UNIT				
Operating income				
- Basic	$ 0.58	$ 0.64	$ 0.69	$ 0.67
- Diluted	$ 0.44	$ 0.49	$ 0.50	$ 0.57
Net income				
- Basic	$ 0.06	$ 0.24	$ 0.25	$ 0.24
- Diluted	$ 0.04	$ 0.22	$ 0.24	$ 0.24

	2007			
	Q4	Q3	Q2	Q1
Total revenue	$ 10,719,999	$ 10,885,385	$ 9,522,466	$ 3,278,709
Operating income	$ 5,350,132	$ 5,840,247	$ 4,761,400	$ 1,066,867
Net income (loss)	$ 1,095,819	$ 543,818	$ 1,421,241	$ 206,544
PER UNIT				
Operating income				
- Basic	$ 0.60	$ 0.66	$ 0.54	$ 0.20
- Diluted	$ 0.59	$ 0.66	$ 0.41	$ 0.20
Net income (loss)				
- Basic	$ 0.12	$ 0.06	$ 0.16	$ 0.04
- Diluted	$ 0.12	$ 0.06	$ 0.16	$ 0.04

Notes:

1. The inception date of Temple REIT as a publicly-listed company on the TSX Venture Exchange occurred on October 1, 2006, pursuant to a Plan of Arrangement between Temple REIT and HPVC Inc., whereby Temple REIT acquired all of the common shares of HPVC Inc. in exchange for Temple REIT trust units, on a ten to one basis. HPVC Inc. was incorporated on August 5, 2005 and commenced active operations on January 17, 2006.

2. On October 1, 2006, upon the completion of the Plan of Arrangement, which encompassed the transfer of all of the assets and liabilities of HPVC. Inc. to Temple REIT and the acquisition of the shares of TGMS, the Trust assumed control of the

operations of the Temple Gardens hotel.

From a general perspective, the quarterly results of Temple REIT reflect the ongoing growth in the hotel portfolio. Aside from the acquisition of additional properties, other significant factors have affected the quarterly results, including non-recurring financing charges in the third quarter of 2007 and the revenue reduction associated with the change in marketable equity securities in the fourth quarter of 2008.

The quarterly results also reflect seasonal fluctuations in demand at the hotels, particularly for the Fort McMurray portfolio where there is typically a reduction in demand during July, August and December. The third and fourth quarter of 2007 is the only six month period in 2007 during which the number of hotels contributing to operating income, for the entire period, did not change. During the fourth quarter of 2007, the operating income of Temple REIT decreased by $490,115 or 8%, primarily due to a reduction in demand for the Fort McMurray hotels during the last two weeks of December 2007.

The third and fourth quarter of 2008 is also the only six month period in 2008, during which the number of hotels contributing to operating income, for the entire period, effectively did not change, as the Capri Centre was not acquired until December 30, 2008. During the fourth quarter of 2008, the operating income of Temple REIT decreased by $1,281,945 or 16% and, as in 2007, the reduction is mainly due to a reduction in demand for the Fort McMurray hotels. The reduced demand in Fort McMurray partially reflects the change in demand which normally occurs in December, as well as an overall reduction in demand due to the declining market conditions in Fort McMurray.

A more detailed analysis of variance between the third and fourth quarter results for 2008 is provided below.

Comparison to Preceding Quarter

Analysis of Net Income - Q4 2008 vs. Q3 2008

	Three Months Ended		Increase (Decrease)	
	Q4	Q3 (restated)	Amount	%
Hotel revenue				
Room	$ 11,151,490	$ 12,115,366	$ (963,876)	(8)%
Other	2,723,443	2,446,958	276,485	11 %
Total hotel revenue	13,874,933	14,562,324	(687,391)	(5)%
Interest and other income	749,824	750,796	(972)	- %
Total revenue	14,624,757	15,313,120	(688,363)	(4)%
Operating expenses	8,009,462	7,415,880	593,582	8 %
Operating income	6,615,295	7,897,240	(1,281,945)	(16)%
Finance expense	3,210,504	3,105,913	104,591	3 %
Trust expense	128,299	143,414	(15,115)	(11)%
Amortization	1,339,212	1,337,719	1,493	- %
Change in marketable securities	786,142	95,655	690,487	722 %
Provision for taxes	517,790	236,282	281,508	119 %
Net income	$ 633,348	$ 2,978,257	$ (2,344,909)	(79)%

As noted above, the operating income of Temple REIT decreased by $1,281,945 during the fourth quarter of 2008, compared to the third quarter of 2008, primarily due to a reduction in demand for the Fort McMurray hotels. Specifically, the operating income of the Fort McMurray hotel portfolio decreased by $832,654 during the fourth quarter of 2008, while operating income from the other hotels decreased by $ 410,210, and Trust operations operating income increased by $39,081.

After accounting for the increased loss in the fourth quarter pertaining to the change in value of marketable equity securities, as well as the increase in income taxes and finance expense and minor changes in trust expense and amortization, Temple REIT completed the fourth quarter of 2008 with net income of $633,348, compared to net income of $2,978,257 during the third quarter of 2008.

ANALYSIS OF CASH FLOWS

Operating

	Year Ended December 31 2008	2007	Increase (Decrease)
Total revenue	$ 56,481,296	$ 34,406,559	$ 22,074,737
Hotel operating costs	27,844,095	17,387,913	10,456,182
Operating Income	28,637,201	17,018,646	11,618,555
Financing expense	12,281,232	9,272,047	3,009,185
Non-cash component of financing expense	(1,419,903)	(781,649)	(638,254)
Cash component of financing expense	10,861,329	8,490,398	2,370,931
Trust expense	733,478	760,500	(27,022)
Unit-based compensation	(109,304)	(43,306)	(65,998)
Cash component of trust expense	624,174	717,194	(93,020)
Current income taxes	616,191	446,020	170,171
Cash provided by operating activities, before changes in non-cash operating activities	16,535,507	7,365,034	9,170,473
Changes in non-cash operating items	1,158,837	728,443	430,394
Cash provided by operating activities	$ 17,694,344	$ 8,093,477	$ 9,600,867

Cash from Operating Activities

During 2008, Temple REIT generated cash from operating activities of $17,694,344, compared to $8,093,477 during 2007. After excluding changes in non-cash operating items, cash from operating activities increased by approximately $9,170,473 during 2008, compared to 2007. The increase mainly reflects the increase in operating income, partially offset by an increase in the cash component of finance expense.

An analysis of the cash component of finance expense (ie, interest expense) is provided in this report in the analysis of total finance expense.

Distributable Income

The policy of Temple REIT is to distribute cash to the Unitholders on a monthly basis, in an amount which is approximately equal to a maximum of 85% of the annual "Distributable Income" of the Trust. Cash distributions may also be established at a specific level, as determined by the Trust and, as such, may exceed distributable income.

Distributable income is a financial measurement which is commonly used to assess the cash distribution capabilities and cash flows of investment trusts and, as such, management believes that the disclosure of distributable income provides useful information to investors. Distributable income does not have any standardized meaning prescribed by GAAP and, therefore, the method that is used by Temple REIT for calculating distributable income may not be comparable to similar measures presented by other issuers. The most directly comparable GAAP measurement of the cash flows of Temple REIT is "cash from operating activities", as disclosed in the Consolidated Statement of Cash Flows in the financial statements. Accordingly, a reconciliation between cash from operating activities and distributable income is provided in the chart below.

As disclosed in the chart, the distributable income of Temple REIT is equal to cash provided by operating activities, net of changes in non-cash operating items after deducting a reserve for the replacement of furniture, fixtures and equipment and capital improvements ("FF&E Reserve"). The reserve represents 3.5% of the gross revenue of the Trust.

Changes in non-cash operating items are excluded from the calculations of distributable income as non-cash operating items are subject to significant temporary fluctuations which are typically reversed over time, mainly due to timing differences in accounts receivable and accounts payable.

Reconciliation Between Distributable Income and Cash From Operating Activities

	Year Ended December 31	
	2008	2007
Net cash from operating activities, per Statement of Cash Flow	$ 17,694,344	$ 8,093,477
Add/Deduct:		
Changes in non-cash operating items	(1,158,837)	(728,443)
Reserve for replacement of furniture, fixtures and equipment and capital improvements ("FF&E Reserve")	(1,976,845)	(1,204,230)
Distributable income	$ 14,558,662	$ 6,160,804
Distributions paid	$ 12,931,226	$ 5,348,041
Excess of distributable income over distributions declared	$ 1,627,436	$ 812,763
Distributable income - Per unit		
- basic	$1.27	$0.77
- diluted	$0.97	$0.76

During 2008, the distributable income of Temple REIT was $14,558,662 or $1.27 per unit, compared to $6,160,804 or $0.77 per unit during 2007. On a percentage basis, the distributions are equal to 89% of distributable income and 73% of cash from operating activities.

As disclosed in the discussion of "working capital requirements" in the following sections of this report, Temple REIT also has additional funding requirements beyond the funding of distributions, including the funding of mortgage loan principal payments and capital expenditures.

Funds From Operations ("FFO")

FFO is a non-GAAP measurement of the cash generating abilities of an entity which is widely used by the real estate industry. The calculation of FFO is also provided in the following chart. The FFO calculation is in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). Readers are cautioned that the method which is used by Temple REIT for calculating FFO may differ from other issuers' methods and accordingly, may not be comparable with measures used by other issuers.

As disclosed in the following chart, the FFO of Temple REIT was $15,115,604 or $1.31 per unit for 2008, compared to $6,583,385 or $0.82 per unit, for 2007, representing an increase of $8,532,219 or 130%.

Funds from Operations

	Year Ended December 31		Increase (Decrease)	
	2008	2007	Amount	%
Net income	$ 8,708,263	$ 3,267,422	$ 5,440,841	167 %
Add:				
Future income taxes	338,616	56,403	282,213	500 %
Unit-based compensation	109,304	43,306	65,998	152 %
Change in value of marketable securities	881,797	-	881,797	100 %
Amortization	5,077,624	3,216,254	1,861,370	58 %
Funds from operations	$ 15,115,604	$ 6,583,385	$ 8,532,219	130 %
Funds from operation - Per unit				
- basic	$1.31	$0.82		
- diluted	$1.01	$0.81		

Financing Activities

Summary

During 2008, the net cash flow provided by financing activities amounted to $64,835,323. Financing activities consisted primarily of mortgage loan transactions, the issuance of convertible debentures, proceeds from the exercise of unit options and distributions to the Unitholders.

Mortgage Loan Transactions

Mortgage Loan Proceeds

During 2008, mortgage loan proceeds amounted to $58.14 Million, consisting of the following:

- an $11.64 Million first mortgage loan which was obtained in January 2008 in regard to the acquisition of Vantage Inn & Suites;
- an 11.25% interest-only blanket mortgage loan of $4 Million which was obtained in March 2008 and reduced to a balance of $200,000 in April 2008.
- a $13.5 Million first mortgage loan which was obtained in July 2008 in regard to the acquisition of the Best Western Wayside Inn & Suites.
- a $24.0 Million first and a $5.0 Million second mortgage loans which were obtained in December 2008 in regard to the acquisition of the Capri Centre.

Mortgage Loan Repayments

During 2008, mortgage loan principal repayments amounted to $8,155,236, consisting of a $750,000 principal payment on the renewal of Chateau Nova mortgage, regular monthly repayments in the total amount of $3,605,236 on the mortgage loan debt of the Trust, as well as a lump sum payment of $3.8 Million for the 11.25% interest-only blanket mortgage loan.

Convertible Debentures

On April 8, 2008, Temple REIT completed a $30 Million public offering of Series B Convertible Debentures, bearing interest at a rate of 8.5% for a five year term.

Transaction Costs

During 2008, transaction costs amounted to $2,114,560, of which $534,450 pertained to mortgage loan financing and $1,580,110 pertained to the public offering of the Series B Convertible Debenture.

Issue Costs

During 2008, Temple REIT incurred issue costs of $308,773 in regard to the issuance of the Series B convertible debenture offering in April 2008. In accordance with GAAP, a portion of the issue costs for a convertible debenture offering are considered to represent the cost of issuing trust units.

Exercise of Unit Options

During 2008, the Trust received proceeds of $565,811 in regard to 107,167 units which were issued on the exercise of options, representing an average price of $5.28 per unit.

Distributions

During the period from January to May 2008, Temple REIT declared distributions of $0.08 per month ($0.96 annualized). Effective for the June 2008 distribution, Temple REIT increased the monthly distribution to $0.10 per month (or $1.20 on an annualized basis). In total Temple REIT declared distributions of $12,931,226, representing a distribution of $1.10 per unit for the year ended December 31, 2008.

As previously disclosed, the distributable income of Temple REIT during 2008 was $14,558,662 or $1.27 per unit. On a percentage basis, the distributions are equal to 89% of distributable income and 73% of cash from operating activities.

Investing Activities

Summary

During 2008, the net cash outflow in regard to investment activities amounted to $85,894,223. The investment activities consisted primarily of transactions related to the two hotel acquisitions. Other cash outflows/inflows related to investing activities include additions to property and equipment, a decrease in the defeasance assets, deposits on potential acquisitions, purchase of marketable equity securities, return of capital from marketable equity securities, net lease payments from the investment in the Moose Jaw Casino and changes in cash in escrow.

Property Acquisitions

During 2008, Temple REIT acquired the Vantage Inn & Suites, the Best Western Inn & Suites and the Capri Centre. As disclosed in the consolidated statement of cash flows, the net acquisition cost of the three properties was $83,523,293, representing the total purchase price of $81,900,000 plus working capital adjustments of $1,636,891, less a miscellaneous credit from closing adjustments of $13,598.

The investment in trust units of other hotel REIT's is primarily intended as a short term investment.

Cash Flow Summary

The net cash outflow from operating, financing and operating activities during 2008 was $3,364,556. After providing for the opening cash balance of $6,189,374, Temple REIT completed 2008 with a cash balance of $2,824,818.

CAPITAL RESOURCES AND LIQUIDITY

Capital Structure

Capital Structure

	Year Ended December 31	
	2008	2007
Long-term debt - principal amount	$ 171,355,573	$ 121,370,809
Convertible debentures - face value	22,430,600	14,378,700
Equity raised - trust units (net of issue costs)	62,590,168	41,044,887
Total capitalization	$ 256,376,341	$ 176,794,396

Trust units:
Authorized - unlimited
Issued
December 31, 2008 - 12,812,019
April 22, 2008 - 12,825,352

Long-Term Debt

December 31, 2008 - $171,355,573
December 31, 2007 - $121,370,809

The long-term debt of Temple REIT consists primarily of mortgage loans which are secured by specific hotel properties. In total, mortgage loans represent 98% of the total long-term debt as of December 31, 2008. The remaining portion of the long-term debt consists almost entirely of a loan which was obtained in 2002 in order to fund the development of the casino complex at the Temple Gardens hotel.

Long-term Debt Transactions

The balance of long-term debt, as of December 31, 2008, excluding transaction costs, increased by $49,984,764, compared to the balance as of December 31, 2007. The increase is comprised of the following amounts:

	Total
First mortgage loans on new property acquisitions	$ 54,140,000
Second mortgage loan on new property acquisition, net of repayments	200,000
Principal repayments	(4,355,236)
	$ 49,984,764

During 2008, debt maturities consisted of a 6.16% first mortgage loan of approximately $3.3 Million for the Temple Gardens Hotel and a 7.3% first mortgage loan of approximately $7.5 Million for Chateau Nova. The loans matured on March 31, 2008 and November 30, 2008, respectively. The Temple Gardens first mortgage loan was renewed for a five year term at 5.06%, and the Chateau Nova first mortgage loan was paid down by $750,000 and the balance renewed for a one year term at the lender's 30 day day cost of funds plus 4%.

Interest-Only Loans

The acquisition of Clearwater Suites in March 2007 encompassed a $10 million second mortgage loan at an interest rate of 6%, with a maturity date of August 1, 2009. The loan requires payments of interest only. The maturity date is February 1, 2010, with interest at 20% effective August 1, 2009. Temple REIT intends to obtain replacement financing for the second mortgage loan prior to August 1, 2009.

Debt Ratio, Including Debenture Debt

A summary of interest rates and debt ratios for the mortgage loan portfolio is provided in the following chart.

Long-term Debt Summary

	Year Ended December 31	
	2008	2007
Weighted average interest rate of long-term debt	6.34%	6.45%
Ratio of mortgage loans payable, compared to:		
Acquisition cost of property portfolio	68%	72%
Appraised value of property portfolio	58%	60%
Ratio of mortgage loans payable and convertible debenture debt (at face value), compared to acquisition cost of property portfolio	77%	80%

Convertible Debentures

As of December 31, 2008, the convertible debentures of Temple REIT consisted of the 7.5%, five year, Series A Convertible Debentures which were issued in March 2007 and the 8.5%, five year, Series B Convertible Debentures which were issued in April 2008.

Debenture Conversions

As a result of debenture conversions, the face value of the Series A and Series B debentures, as of December 31, 2008, was reduced by approximately 84% and 33%, respectively, in comparison to the original amount sold pursuant to the debenture offerings. A summary of debenture conversions is provided in the following chart.

Analysis of Debenture Conversions

	Face Value of Debentures	
	Series A	Series B
Series A debenture offering - February 15, 2007	$ 15,680,000	
Debenture conversions to December 31, 2007	1,301,300	
Balance - December 31, 2007	14,378,700	
Series B debenture offering - April 8, 2008		$ 30,000,000
Debenture conversions to December 31, 2008	11,914,200	10,033,900
Balance - December 31, 2008	$ 2,464,500	$ 19,966,100
Decrease in face value:		
- As of December 31, 2008	84 %	33 %

The debentures are convertible at the option of the holder, at any time prior to the maturity date or, if applicable, the redemption date, at a specified per unit price ($5.75 per unit for the Series A debentures and $7.50 per unit for the Series B debentures), subject to adjustment for certain conditions. The debentures are redeemable by Temple REIT, in year four and five only, at a price equal to the principal amount plus accrued and unpaid interest, subject to certain conditions.

Debt and Equity Components

In accordance with generally accepted accounting principles, the total amount of convertible debentures, as disclosed in the financial statements, is divided into debt and equity components based on the present value of future interest and principal payments. The amount by which the total present value exceeds the face value of the convertible debentures is referred to as "accretion". The accretion of the debt component, which serves to increase the carrying value of the debt component, is included in financing expense. As accretion is a "non-cash" transaction, the accretion of the debt component is added back for purposes of calculating operating cash flows and distributable income.

The allocation of the debt and equity component of the convertible debentures is provided in note 11 of the financial statements of the Trust for 2008.

Trust Units

The following is a summary of the units which have been issued by TREIT as of December 31, 2008.

Issue Date	Description	Units Issued	Equity Raised
Balance, January 1, 2008		9,295,010	$ 41,044,887
January 1 - December 31, 2008	Unit options exercised	107,167	565,811
January 1 - December 31, 2008	Exercise of convertible debentures	3,409,842	18,729,091
	Value associated with options exercised	-	36,558
	Equity component of convertible debentures converted	-	3,635,319
	Issue costs	-	(1,421,498)
Balance, December 31, 2008		12,812,019	$ 62,590,168

As disclosed in the chart above, debenture conversions resulted in the issuance of 3,409,842 trust units during 2008. After accounting for the debenture conversions in 2007, there have been 4,055,248 trust units issued as a result of debenture conversions as of December 31, 2008. The debenture conversions have resulted in a $13,215,500 reduction in the face value of the Series A debentures and a $10,033,900 reduction in the Series B debentures, as of December 31, 2008. The debenture conversions served to reduce interest expense by $1,049,805 in 2008, in comparison to the amount of interest expense which would have been payable based on the original face value of the debentures. The increase in distributions associated with the debenture conversions was approximately $2,768,456 in 2008.

Unit Options

Pursuant to the Unit Option Plan, the Trust may grant unit purchase options to the Trustees, Directors and Senior Officers of TREIT and to other individuals who are employed or retained by the Trust to perform specific duties, provided that the number of units reserved for issuance will not exceed 10% of the issued and outstanding units. The unit options are exercisable for a maximum period of five years from the date on which the unit options are granted.

Prior to 2008, a total of 335,997 units were issued under the Unit Option Plan, of which 174,833 were outstanding as of December 31, 2007, at a weighted average exercise price of $4.75 per unit. During 2008, 58,167 of these options were exercised, resulting in gross proceeds of $262,501.

On January 29, 2008, Temple REIT issued a total of 400,000 incentive options to the Trustees, the Chief Financial Officer and to management employees of Shelter Canadian who are engaged in functions related to Temple REIT to purchase units at a price of $6.19 per unit. As of December 31, 2008, 49,000 of these options were exercised, resulting in gross proceeds of $303,310.

The accounting policy of Temple REIT provides for the estimated fair value of options which are issued under the unit option plan to be expensed over the vesting period of the options and for expense to be recorded as "unit-based compensation". Unit-based compensation expense is included in trust expense in the Consolidated Statement of Operations. As unit-based compensation is a "non-cash" expense, it does not impact the operating cash flows of the Trust. Options which are issued to agents in conjunction with private placements or private offerings of trust units are recorded as unit issue costs and charged to equity.

The estimated cost of all of the options which were issued prior to 2008 were either charged to the equity of the Trust as a cost of issuing units or fully expensed as of December 31, 2007. As the options which were issued in January 2008 were exercisable immediately, the estimated fair value of the options, in the amount of $109,304, was expensed in the first quarter of 2008.

Other Assets and Liabilities

Accounts Receivable

As of December 31, 2008, "accounts receivable", as disclosed on the balance sheet of Temple REIT amount to $2,552,972. The accounts receivable consist primarily of contractual commercial accounts.

Accounts Payable and Accrued Liabilities

As of December 31, 2008, "accounts payable and accrued" liabilities on the balance sheet of Temple REIT amount to $3,841,882. The accounts payable and accrued liabilities consist primarily of normal trade payable and accrued wages payable.

Mortgage Loan Receivable

In 2007, Temple REIT provided $6 Million of first mortgage financing on a potential hotel acquisition in Edson, Alberta. The first $2 Million was advanced in June of 2007 and an additional $4 Million was advanced in the fourth quarter of 2007. The loan bears interest at 10% per annum with payments of interest and principal due on the maturity date of May 1, 2009. Accrued interest on the loan is reflected in the "interest and other income" of the Trust.

The loan is secured by a charge registered against the Nova Inn in Edson, Alberta and the Nova Inn in Whitecourt, Alberta. As additional consideration for advancing the funds, TREIT obtained rights of first refusal to acquire the Nova Airport Hotel in Fort McMurray, Alberta, the Nova Inn in Peace River, Alberta and the Nova Inn in Whitecourt, Alberta. The right of first refusal expires December 31, 2009.

Defeasance Assets and Liability

The purchase of the Nomad Inn encompassed the acquisition of the bare trustee company which held title to the properties. The debt of the bare trustee company included a loan with Computer Share Trust Company of Canada of $3,690,806. As the loan could not be discharged on closing due to the nature of the loan security, the loan was defeased. In this regard, the bare trustee company effectively nullified the loan by placing sufficient Government of Canada bonds in escrow to offset the debt obligations. The fair value of the bonds was $4,151,677.

The debt of the bare trustee company is disclosed on the balance sheet of Temple REIT as a "defeased liability". The Government of Canada bonds in escrow are disclosed as "defeasance assets".

Subsequent to the acquisition of Merit/Nomad hotel properties, the name of the bare trustee company was changed to TREIT Holdings 3 Corporation.

Capital Requirements

General

Temple REIT requires an ongoing source of cash to fund regular mortgage loan principal payments and capital expenditures, as well as distributions. During 2008, cash from operating activities amounted to $17,694,344, while regular monthly mortgage payments, capital expenditures and distributions amounted to $17,974,453, representing a difference of $280,109. The difference was effectively funded from the existing cash reserves of the Trust.

As a result of the anticipated decrease in cash from operating activities during 2009 and given the commitments of Temple REIT in regard to regular long-term debt payments, as well as the extent of capital expenditures which are projected for 2009, Temple REIT is reducing the amount of its distribution in 2009.

Temple REIT requires other sources of capital in order to fund future hotel acquisitions.

Contractual Obligations

Long-term Debt and Lease Payments

A summary of the long-term debt and operating lease obligations of Temple REIT for 2009 and for each of the next five years and thereafter, is provided in the following chart.

Summary of Contractual Obligations

Payments Due By Period	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Long-term debt	$171,355,573	$ 11,708,887	$ 58,433,974	$ 75,770,275	$ 25,442,437
Operating leases	2,041,409	493,407	979,060	568,942	-
Total	$173,396,982	$ 12,202,294	$ 59,413,034	$ 76,339,217	$ 25,442,437

The total amount of long-term debt due in 2009 is comprised of regular repayments of principal in the estimated amount of $4,978,887 and principal due of $6,730,000 on loans which mature in 2009. Management intends to renew or refinance the principal amounts due, under similar terms and conditions.

Property Acquisitions

Deposits on potential acquisitions amount to $250,000, as of December 31, 2008.

Capital Expenditures

In addition to the upgrades which are completed in the normal course of annual hotel operations, Temple REIT is also undertaking the construction of 68 new guest rooms at the Merit Hotel. The cost of the hotel expansion is $19,040,000, payable at the completion of the contracted work, aside from the initial deposit of $500,000 which was paid to the contractor on September 15, 2008.

Other capital expenditures which are scheduled, consist of the following:

- extensive hotel upgrades for the Capri Centre, consisting primarily of the refurbishment of guest rooms. The total cost of the upgrade program of approximately $8 Million was expected to be completed over a 12 month period, following the acquisition of the hotel. Due to the decline in hotel market conditions, the upgrades will be completed over a longer time period than was previously anticipated. The upgrades are expected to commence during the second half of 2009.

- hotel upgrades for the Best Western Wayside Inn & Suites, consisting primarily of the refurbishment of the rooms, restaurant and the banquet and conference facilities. The upgrades have a projected cost of $1.25 Million and are expected to commence during the second half of 2009.

The proposed 80 new guest room addition to the Nomad Hotel has been deferred.

Sources of Capital

Existing Cash

As of December 31, 2008, the cash balance of Temple REIT was $2.82 Million, while the working capital balance was $7.74 Million, excluding the current portion of long-term debt and the current portion of the defeased asset and defeased liability.

Cash from operating activities

As a result of the economic slowdown throughout North America and particularly in Fort McMurray, Temple REIT is expected to experience a decline in operating cash flow in 2009. After providing for the funding of regular mortgage loan principal payments and capital expenditures not funded from additional mortgage financing, the remaining cash from operating activities is expected to be sufficient to fund a total distribution of $0.50 per unit during 2009, compared to a total distribution of $1.10 per unit in 2008.

Reduction in Distribution

The reduction in the total projected distribution for 2009 is being implemented in conjunction with a change in the distribution policy policy of Temple REIT. Temple REIT announced a change from a monthly distribution policy to a quarterly distribution policy, whereby quarterly distributions of $0.10 per unit would be payable on July 15, October 15 and December 31 to the Unitholders of record as of June 30, September 30 and December 15, respectively. The three quarterly distributions in the combined amount of $0.30 per unit, plus the distributions of $0.10 per unit which were declared for January 2009 and February 2009 comprise the total projected distribution of $0.50 per unit.

Additional Mortgage Loan Financing

The capital improvement/upgrade program for the Best Western Wayside Inn and Suites and the Capri Centre will be partially funded, to the extent possible, from the upward refinancing of the mortgage loan debt of the hotel portfolio.

The net amount payable of $18,540,000 in regard to the expansion of the Merit Hotel will be partially satisfied by the issuance of a $4.5 Million Series C Convertible Debenture to the contractor. The debenture will bear interest at a rate of 4.5%, with a due date of December 31, 2014.

The balance of the amount payable of $14.04 Million is expected to be financed with an additional first mortgage loan.

HOTEL MANAGEMENT

Temple REIT has retained Atlific Hotels and Resorts to manage all of the hotels in its existing property portfolio. The terms of management for each of the hotels are provided below.

		Base Management Fee		
	Expiry Date	Year 1	Year 2	Year 3 to Year 5 % of Gross Revenues
Temple Gardens	Sept. 30, 2011	$175,000	$200,000	2.5%
Chateau Nova	Mar. 22, 2012	$45,000	$65,000	2.5%
Clearwater Suites	Mar. 31, 2012	$135,000	$200,000	2.0%
Merit Inn & Suites	Apr. 30, 2012	$125,000	$150,000	2.0%
Nomad Hotel and Suites	Apr. 30, 2012	$125,000	$150,000	2.0%
Vantage Inn & Suites	Jan. 31, 2013	$125,000	$150,000	2.0%
Best Western Wayside Inn	May 31, 2013	$125,000	$150,000	2.5%
Capri Centre	Dec. 31, 2013	$125,000	$150,000	2.5%

In addition to the base management fee, the management agreement for each hotel also provides for an incentive management fee. The incentive management fee is equal to 10% of the amount by which the net operating income of the hotel exceeds the budgeted net operating income commencing in the second year after acquisition of the hotels.

Atlific received $983,610 in base management fees during 2008.

RELATED PARTY TRANSACTIONS

Shelter Canadian Properties Limited ("Shelter Canadian")

Asset management services are provided to Temple REIT by Shelter Canadian, pursuant to the terms of an Asset Management Agreement. The Asset Management Agreement also requires Shelter to act as administrator of the Trust by providing accounting and human resource services, office space and equipment and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of Temple REIT.

The Asset Management Agreement provides for Shelter Canadian to receive an asset management fee equal to 1.5% of the gross revenues of the hotel properties and assets of the Trust and to be reimbursed for all expenses incurred in connection with fulfilling the role of Administrator, including third party costs.

During 2008, Shelter Canadian earned asset management fees of $858,658.

Mr. Arni Thorsteinson, the President and Chief Executive Office of Temple REIT and a Trustee, is the Director and President of Shelter Canadian and the Director and President of the parent corporation of Shelter Canadian, 2668921 Manitoba Ltd.

OPERATING RISKS AND UNCERTAINTIES

An investment in units of Temple REIT encompasses the risks which are inherent in the ownership and operation of a portfolio of hotel properties, as well as the normal risks which are associated with an investment in a real estate investment trust.

The key risks include the following:

Hotel Industry

Specific risks associated with hotel ownership and operations include:

- cyclical downturns arising from changes in general and local economic conditions;
- changes in the level of business and commercial travel and tourism;
- increases in the supply of accommodations in local markets which may adversely affect the results of operations;
- competition from other hotels;
- the recurring need for renovation, refurbishment and improvement of hotel properties;
- changes in wages, prices, energy costs and construction and maintenance costs that may result from inflation, government regulations, changes in interest rates or currency fluctuations;
- availability of financing for operating or capital requirements;
- seasonal fluctuations in hotel operating income produced throughout the year;
- increases in operating costs due to inflation which may not necessarily be offset by increase room rates;
- increases in expenses of travel, particularly automotive travel; and
- other factors, including medical concerns related to travelling to Canada, acts of terrorism, natural disasters, extreme weather conditions and labour shortages, work stoppages or disputes.

Fluctuations in Cash Distributions

A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in Units is at risk, and the return on an investment in Units is based on many performance assumptions. Although Temple REIT intends to distribute its Distributable Income, the actual amount of Distributable Income distributed in respect of Units will depend on numerous factors, including the amount of principal repayments, capital expenditures and other factors that may be beyond the control of Temple REIT. Cash distributions may be reduced or suspended at any time. In addition, the market value of the Units may decline if Temple REIT is unable to provide a satisfactory return to Unitholders.

Public Market Risk

It is not possible to predict the price at which Units will trade in the future and there can be no assurance that an active trading market for the Units will be sustained. The Units will not necessarily trade at values determined solely by reference to the value of the properties of Temple REIT. Accordingly, the Units may trade at a premium or a discount to the value implied by the value of the properties of Temple REIT. The market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Temple REIT.

Concentration of Temple REIT's Portfolio in One Market

The property portfolio of Temple REIT has significant exposure to the Fort McMurray, Alberta market. After providing for the acquisition of the Capri Centre on December 31, 2008, Temple REIT has nine hotel properties in its real estate portfolio, six of which are located in Fort McMurray, Alberta. Based on an acquisition cost of $246,002,670 for the ten hotels, the six properties represent approximately 59% of the total acquisition cost of the portfolio.

During 2008, the six hotel properties in Fort McMurray accounted for 60% of the total revenue of the Trust and 72% of the total operating income.

Changes to Tax Treatment of Trusts

Temple REIT currently qualifies as a Mutual Fund Trust for income tax purposes. As required by its Declaration of Trust, Temple REIT intends to distribute all taxable income to its Unitholders and to deduct these distributions for income tax purposes. Except for corporate subsidiaries of Temple REIT, no provision for income taxes is required under the current Canadian income tax legislation.

On June 22, 2007, new legislation relating to, among other things, the federal income taxation of publicly traded income trusts (the "New SIFT Rules") was enacted. Under the New SIFT Rules, certain distributions from a "specified investment flow-through" trust (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation, however, distributions paid by a SIFT as a return of capital will generally not be subject to the tax.

The New SIFT Rules provide that a SIFT which was publicly listed prior to November 1, 2006 (an "Existing Trust") will become subject to the tax on distributions commencing in the 2011 taxation year, however, an Existing Trust may become subject to this tax prior to 2011 if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. Based on its October 31, 2006 market capitalization, Temple REIT may increase its equity capital by $50 Million for each of the years ending December 31, 2008, December 31, 2009 and December 31, 2010 (the "Safe Harbour Limit"). To date, Temple REIT's equity capital has not increased beyond the Safe Harbour Limit.

The New SIFT Rules do not apply to a "real estate investment trust" (a "Qualifying REIT") that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). In the opinion of management, the Trust does not currently satisfy the prescribed conditions. Accordingly, Temple REIT is subject to the New SIFT Rules and, subject to earlier application if it increases its equity capital beyond its Safe Harbour Limit, Temple REIT will be subject to the tax on distributions commencing in 2011.

Relationship with Shelter Canadian

The financial performance of Temple REIT will depend in part on the performance of Shelter Canadian in providing administrative and asset management services to the Trust, pursuant to the Services Agreement.

Reliance on Key Personnel

The success of Temple REIT is highly dependent on the services of certain management personnel, including Arni Thorsteinson. The loss of the services of such personnel could have an adverse effect on Temple REIT.

Other Risks

Other risks, uncertainties and items of relevance include liquidity, financing, environmental and diversification risks; the risks associated with franchised hotels, land leases, interest rate fluctuations and the operation of the Temple Gardens hotel; the risk of general uninsured losses and the failure to maintain mutual fund trust status, as well as restrictions on redemptions, the potential the lack of available growth opportunities, potential Unitholder liability, potential conflicts of interest, uncertainties regarding the market price of Units, the legal rights attaching to Units, other tax related risk factors and the potential dilution arising from the issue of additional Units.

These topics are more fully explained in the other regulatory filings of Temple REIT, including the March 2008 prospectus for the public offering of he Series B convertible debentures and the 2007 Annual Information Form.

CRITICAL ACCOUNTING ESTIMATES

The application of the significant accounting policies for purposes of preparing the consolidated financial statements, in accordance with Canadian generally accepted accounting principles (GAAP), requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from the estimated amounts. Many of the conditions impacting the assumptions and estimates are beyond the control of management. The estimates and assumptions are evaluated on a periodic basis.

Financial statement items which encompass estimates include the following:

- amortization of property and equipment - amortization expense is based on the estimated useful life of the property and equipment;

- carrying amount of goodwill - the carrying amount of goodwill is periodically compared to its estimated fair value in order to determine if there has been any impairment in value; and

- unit-based compensation expense - unit-based compensation expense is based on the estimated fair value of the applicable units and warrants using the Black-Scholes option pricing method.

The estimates which were used for financial statement reporting purposes, for the above noted items, are not expected to change from period to period.

CHANGES IN ACCOUNTING POLICY

New Accounting Standards - Adopted January 1, 2008

Effective January 1, 2008, the Trust adopted CICA Handbook Section 1535 - Capital Disclosures, Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. Section 1535 requires the Trust to disclose information that enables users of its financial statements to evaluate the Trust's objectives, policies and processes for managing capital. Sections 3862 and 3863 establish standards for presentation of financial instruments and non-financial derivatives and complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855 - Financial Instruments - Recognition and Measurement, Section 3865 - Hedges. The sections deal with the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new standards do not have any impact on the classification or measurement of financial instruments.

On January 1, 2008, the Trust adopted CICA Handbook Section 3031 - Inventories. The entire inventory of the Trust is finished goods available for sale and the value of the inventory of the Trust is measured on a first in, first out basis, at cost. Cost of sales is recognized upon sale of the inventory.

Future Changes to Accounting Standards

2009

CICA Handbook Section 3064 - Goodwill and Intangibles will be effective for the interim and annual financial statements of the Trust for periods beginning after January 1, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises.

The Trust is currently considering the effect on the financial statements of the new standards.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the date on which International Financial Reporting Standards (IFRS) will replace current Canadian accounting standards and serve as the basis for Canadian generally accepted accounting principles (Canadian GAAP).

The changeover from current Canadian GAAP to IFRS will be a significant undertaking for Temple REIT and the implementation of new accounting standards may have a material impact on the financial position and results of operation, as disclosed in the financial statements of the Trust. The Management of Temple REIT is currently reviewing the impact of the conversion to IFRS on the financial statements and accounting processes of the Trust with the objective of developing a specific plan for Temple REIT for the changeover to IFRS (the "IFRS changeover plan").

Issues to be addressed in the IFRS changeover plan include the selection of alternative accounting policies and disclosure methodologies and the determination of the impact of IFRS on the financial reporting and control systems of the Trust. As the IFRS changeover plan is developed, more detailed information regarding the key elements of the plan will be provided in the quarterly and annual reports of Temple REIT.

FINANCIAL INSTRUMENTS

The financial instruments of Temple REIT consist of basic financial instruments which are typically used in the operation and ownership of hotel properties and in the operation of a real estate investment trust, including cash, term deposits, marketable equity securities, accounts receivable, accounts payable and accrued liabilities, gift certificate liabilities, mortgage loans and other long-term debt secured by the revenues or assets of hotel properties.

The fair value of the mortgage loans and other long-term debt approximates the carrying value due to the nature of the debt and the relatively short terms to maturity. The fair value of the current assets and liabilities approximates the carrying value due to the immediate or short-term nature of the instruments.

For the current assets and liabilities, the main risk is the credit risk associated with accounts receivable. The credit risk is reduced due to a diversified customer base. The risks associated with mortgage loans and long-term debt include the risk of interest rate increases for maturing loans and the risk of potential defaults in debt payments due to insufficient cash flows. In order to minimize the risk associated with potential interest rate increases, Temple REIT will stagger debt maturity dates, to the extent possible. Temple REIT attempts to minimize the risk of any defaults in debt payments through its investment and operating policies which include focusing on hotel acquisitions with a history of stable cash flows and restricting the amount of mortgage loan financing to 75% of the appraised value of the hotel properties.

TAXATION

Taxation of Temple REIT

Temple REIT is generally subject to tax in Canada under the Income Tax (the "Tax Act") in respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Temple REIT for tax purposes.

Pursuant to the Declaration of Trust of Temple REIT, the Trustees intend to distribute or designate all taxable income directly earned by Temple REIT to the Unitholders of the Trust in order to ensure that Temple REIT will not be subject to income tax under Part I of the Tax Act.

Taxation of Unitholders

A Unitholder is required to include, in computing for tax purposes each year, the portion of the amount of net income and net taxable capital gains of Temple REIT paid or payable to the Unitholder in the year. The Declaration of Trust generally requires Temple REIT to claim the maximum amount of capital cost allowance for purposes of computing its income for tax purposes. The cash distributions which have been paid to the Unitholders, since the inception of Temple REIT as a real estate investment trust in 2006, have exceeded the income of Temple REIT, as calculated for income tax purposes. Distributions in excess of the taxable income of Temple REIT are allocated to the Unitholder for the year and will not be included in computing the taxable income of the Unitholder. The adjusted cost base of the units which are held by the Unitholder will, however, be reduced by the amount of distributions not included in income.

Upon the disposition or deemed disposition by a Unitholder of a unit, a capital gain (or a capital loss) will generally be realized to the extent that the net proceeds of disposition of the unit exceed (or are exceeded by) the adjusted cost base of the unit. Currently, only 50% of a capital gain ("taxable capital gain") must be included in computing a Unitholders' income and 50% of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains.

All of the cash distributions which have been paid by Temple REIT from December 2006 to December 31, 2008 have represented a reduction in the cost base of the units.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made to the design of the internal controls over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal control system.

Readers are cautioned, however, that a control system can only provide reasonable, not absolute, assurance that the objectives of the control system are achieved. Due to the inherent limitations in all control systems, an evaluation of controls cannot provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Inherent limitations include the possibility that the assumptions and judgments of management could ultimately prove to be incorrect under varying conditions and circumstances, or that isolated errors could prove to have a significant impact on the reliability of information.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and it is not possible to provide complete assurance that a control system will succeed in achieving its stated goals under all potential future conditions.

ADDITIONAL INFORMATION

Additional information relating to Temple REIT is available on the SEDAR website at www.sedar.com. SEDAR acts as a facilitator for the electronic filing of securities information, as required by the securities regulatory agencies in Canada.

APPROVAL BY TRUSTEES

The content of the 2008 Annual Report of Temple REIT and the delivery of the report to the Unitholders have been approved by the Trustees.

TEMPLE REAL ESTATE INVESTMENT TRUST
April 22, 2009

MANAGEMENT'S RESPONSIBILITY

The financial statements contained in the annual report have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on management's best judgement in the circumstances. The financial information presented throughout the annual report is consistent with the information contained in the financial statements.

Scarrow & Donald LLP, the independent auditors, were appointed by the Unitholders and are responsible for auditing the financial statements and giving an opinion thereon.

The financial statements have been reviewed and approved by the Board of Trustees and the Audit Committee, which is comprised of the three independent Trustees. The Audit Committee meets regularly with management and the auditors. The auditors have full and direct access to the Audit Committee.

"Arni Thorsteinson"

Arni Thorsteinson
Chief Executive Officer

"John Liddle"

John Liddle
Chief Financial Officer

April 22, 2009

Scarrow & Donald LLP

SCARROW & DONALD LLP
CHARTERED ACCOUNTANTS
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www.scarrowdonald.mb.ca

April 9, 2009

AUDITORS' REPORT

To the Unitholders of
Temple Real Estate Investment Trust:

We have audited the consolidated balance sheets of Temple Real Estate Investment Trust as at December 31, 2008 and 2007 and the consolidated statements of income and comprehensive income, equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Scarrow & Donald LLP

Chartered Accountants
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

CONSOLIDATED BALANCE SHEETS

	December 31 2008	December 31 2007
Assets		
Current assets		
Cash	$ 2,824,818	$ 6,189,374
Marketable securities (Note 4)	983,850	-
Accounts receivable (net of allowance for doubtful accounts of $120,892, 2007 - $153,341)	2,552,972	2,742,467
Inventories	562,246	248,056
Prepaid expenses	213,700	319,870
Mortgage receivable (Note 6)	6,610,920	6,000,000
Current portion of net investment in lease (Note 7)	116,819	108,859
Current portion of defeasance assets (Note 10)	3,505,610	678,000
	17,370,935	16,286,626
Property and equipment (Note 5)	235,055,157	157,558,388
Net investment in lease (Note 7)	4,641,962	4,758,781
Other assets (Note 8)	1,802,192	1,053,003
Defeasance assets (Note 10)	-	3,350,771
Goodwill	1,608,282	1,608,282
	$260,478,528	$184,615,851
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,841,882	$ 3,236,694
Gift certificate liability	2,051,719	1,913,649
Income taxes payable	228,908	520,899
Current portion of long-term debt (Note 9)	11,132,872	13,254,446
Current portion of defeased liability (Note 10)	354,056	322,942
	17,609,437	19,248,630
Long-term debt (Note 9)	158,730,213	106,468,863
Defeased liability (Note 10)	2,834,896	3,188,952
Convertible debentures (Note 11)	18,078,361	11,489,175
Future income taxes (Note 13)	3,327,488	2,988,872
	200,580,395	143,384,492
Equity	59,898,133	41,231,359
	$260,478,528	$184,615,851

Approved by the Trustees

"Arni Thorsteinson"

"David Drybrough"

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	2008	2007
Revenue		
Hotel revenue	$ 53,709,782	$ 32,696,559
Interest and other income	2,771,514	1,710,000
	56,481,296	34,406,559
Expenses		
Hotel operating costs	27,844,095	17,387,913
Operating income	28,637,201	17,018,646
Finance expense (Note 12)	12,281,232	9,272,047
Trust expense	733,478	760,500
Amortization	5,077,624	3,216,254
	18,092,334	13,248,801
Other		
Change in marketable securities	(881,797)	-
Income before taxes	9,663,070	3,769,845
Income taxes:		
Current	616,191	446,020
Future	338,616	56,403
	954,807	502,423
Net income and comprehensive income	$ 8,708,263	$ 3,267,422
Net income per unit (Note 18)		
Basic	$ 0.76	$ 0.41
Diluted	0.75	0.40

CONSOLIDATED STATEMENTS OF EQUITY

	2008	2007
Trust units (Note 15)		
Balance, beginning of period	$ 41,044,887	$ 8,620,218
Issuance of trust units	565,811	33,421,997
Units issued on conversion of debentures	18,729,091	1,110,110
Equity component of debentures converted	3,635,319	217,801
Value associated with options exercised	36,558	35,642
Value associated with warrants exercised	-	32,119
Unit issue costs	(1,421,498)	(2,393,000)
Balance, end of period	62,590,168	41,044,887
Unit options (Note 16)		
Balance, beginning of period	73,464	65,800
Value associated with unit options granted	109,304	43,306
Value associated with options exercised	(36,558)	(35,642)
Balance, end of period	146,210	73,464
Warrants (Note 16)		
Balance, beginning of period	-	38,200
Value associated with warrants exercised	-	(32,119)
Value associated with warrants expired	-	(6,081)
Balance, end of period	-	-
Equity component of convertible debentures (Note 11)		
Balance, beginning of period	2,406,586	-
Equity component of convertible debentures issued	4,907,029	2,624,387
Equity component of debentures converted	(3,635,319)	(217,801)
Balance, end of period	3,678,296	2,406,586
Cumulative earnings and accumulated comprehensive earnings		
Balance, beginning of period	3,382,880	109,377
Value associated with warrants expired (Note 16)	-	6,081
Net income	8,708,263	3,267,422
Balance, end of period	12,091,143	3,382,880
Cumulative distributions to unitholders		
Balance, beginning of period	(5,676,458)	(328,417)
Distribution to unitholders	(12,931,226)	(5,348,041)
Balance, end of period	(18,607,684)	(5,676,458)
Total unitholders' equity	$ 59,898,133	$ 41,231,359
Units issued and outstanding (Note 15)	12,812,019	9,295,010

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2008	2007
Cash provided by (used in) operating activities		
Net income and comprehensive income	$ 8,708,263	$ 3,267,422
Items not affecting cash		
Accretion on debt component of convertible debentures	534,606	310,909
Unit-based compensation	109,304	43,306
Amortization	5,077,624	3,216,254
Amortization of transaction costs	885,297	470,740
Change in fair value of marketable equity securities	881,797	-
Future income taxes	338,616	56,403
	16,535,507	7,365,034
Changes in non-cash operating items	1,158,837	728,443
	17,694,344	8,093,477
Cash provided by (used in) financing activities		
Proceeds of long-term debt	58,140,000	148,138,306
Debt repaid on refinancing	-	(40,809,194)
Proceeds of convertible debentures	30,000,000	15,680,000
Decrease in defeased liability	(360,693)	(85,108)
Repayment of long-term debt	(8,155,236)	(1,262,982)
Private placement of units	-	32,480,000
Exercise of options	565,811	613,492
Exercise of warrants	-	328,505
Expenditures on transaction costs	(2,114,560)	(2,041,260)
Unit issue costs	(308,773)	(2,393,000)
Distributions paid on trust units	(12,931,226)	(5,348,041)
	64,835,323	145,300,718
Cash provided by (used in) investing activities		
Hotel properties acquired	(83,523,293)	(140,179,435)
Additions to property and equipment	(687,991)	(377,188)
Defeasance assets	-	(4,151,677)
Decrease in defeasance assets	523,161	122,906
Mortgage loan receivable	-	(6,000,000)
Decrease in goodwill	-	61,396
Deposits on potential acquisitions	(225,000)	(400,000)
Return of capital from marketable equity securities	55,944	-
Purchase of marketable securities	(1,921,591)	-
Receipt of net investment in lease	108,858	101,440
Cash in escrow	(224,311)	(445,000)
	(85,894,223)	(151,267,558)
Change in cash	(3,364,556)	2,126,637
Cash, beginning of period	6,189,374	4,062,737
Cash, end of period	$ 2,824,818	$ 6,189,374
Supplementary cash flow information		
Interest paid	$ 10,812,353	$ 7,487,675
Income taxes paid	$ 906,402	7,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

1 *Organization*

Temple Real Estate Investment Trust ("the Trust") is an open-end real estate investment trust established under the laws of the Province of Manitoba on July 12, 2006.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements of the Trust includes the accounts of the Trust's wholly-owned subsidiaries TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Gardens Mineral Spa Inc., with provision for its 50% proportionate share of assets, liabilities, revenues and expenses of the Moose Jaw Casino Co-ownership. All significant intercompany balances and transactions have been eliminated upon consolidation.

2 *Significant accounting policies*

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Change in accounting policies

On January 1, 2008, the Trust adopted CICA Handbook Section 1535 - Capital Disclosures. Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

On January 1, 2008, the Trust adopted CICA Handbook Section 3862 - Financial Instruments - Disclosures and Section 3863 - Financial Instruments - Presentation. These Sections establish standards for presentation of financial instruments and non-financial derivatives and complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855 - Financial Instruments - Recognition and Measurement, Section 3865 - Hedges. The sections deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The new standards have no impact on the classification or measurement of financial instruments.

On January 1, 2008, the Trust adopted CICA Handbook Section 3031 - Inventories. The entire inventory of the Trust is finished goods available for sale and the value of the inventory of the Trust is measured on a first in, first out basis, at cost. Cost of sales is recognized upon sale of the inventory. During the year ended December 31, 2008, cost of sales related to inventory was $2,721,413 (2007 - $1,117,460) and is included in hotel operating costs in the financial statements.

There is no adjustment to opening equity at the beginning of the year as a result of adopting the new standards.

Accounting estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

2 *Significant accounting policies (continued)*

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transactions to purchase or sell financial assets are recorded on the settlement date.

Financial assets and financial liabilities classified as held-for-trading are subsequently measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables and other liabilities are subsequently measured at their amortized cost, using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial asset is derecognized. Investments in equity instruments are classified as available-for-sale if they do not have a quoted market price in an active market and are measured at cost.

Net gains and losses arising from changes in fair value of loans and receivables, held-to-maturity investments, and other liabilities are recognized in net income upon derecognition or impairment. The Trust does not reclassify a financial instrument into or out of the held-for-trading category while it is held or issued, except in rare circumstances.

Derivative instruments are recorded at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net income, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are recognized in other comprehensive income. The Trust presently does not have any derivative financial instruments.

The Trust has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Cash	Held-for-trading	Fair value
Marketable securities	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Cash in escrow	Held-for-trading	Fair value
Mortgage receivable	Loans and receivables	Amortized cost
Defeasance assets	Held-to-maturity	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost
Defeased liability	Other financial liabilities	Amortized cost
Convertible debentures - debt component	Other financial liabilities	Amortized cost

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading. For other financial instruments, transaction costs are added to the related financial asset or liability on initial recognition and are measured at amortized cost using the effective interest method. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

2 *Significant accounting policies (continued)*

Financial Instruments (continued)

The Trust assesses impairment of all it financial assets, except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in current earnings.

Inventories

Inventories of supplies and goods for sale are stated at the lower of cost and net realizable value, on a first-in, first-out basis. The costs of inventories comprise the purchase price, import duties and other non-recoverable taxes and transportation and handling costs.

Property and equipment

Property and equipment are recorded at cost. Property and equipment are amortized over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known. The Trust provides for amortization on fixed assets so as to apply the cost of the assets over the estimated useful lives as follows:

	Method	Rate
Buildings	Straight-line	2.5%
Furniture and equipment	Straight-line	5% - 33.3%

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized. Management compares the carrying amount of goodwill to the estimated fair value and recognizes in operations any impairment in value.

Gift certificate liability

Gift certificates are recorded as a liability when sold and revenue is recognized upon redemption of the gift certificate. Gift certificates are recognized as revenue if not redeemed within three years from the date of issue. It is management's opinion that there is no liability for a gift certificate beyond its expiry date.

In determining the estimated revenue in conjunction with gift certificate liabilities, the Trust relies on assumptions regarding applicable industry performance and redemption rates, as well as general business and economic conditions that prevail or are expected to prevail. Assumptions underlying the measurement of gift certificate liabilities are limited by the uncertainty of predictions concerning future events. By its nature the evaluation of gift certificate liability is subjective and does not necessarily result in precise determinations. Should an adjustment become necessary it will be adjusted in the period known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

2 Significant accounting policies (continued)

Convertible debentures
The convertible debentures are convertible into units, as disclosed in Note 11. Accordingly, the debentures are divided into debt and equity components, based on the net present value of the future payments at the time of issue.

Unit options and warrants
The Trust has a unit option plan available for officers, employees and trustees. The fair value based method of accounting is applied to all unit-based compensation. Compensation expense for option based compensation awards is recognized when unit options are granted over the vesting periods. The fair value of the unit options and warrants granted are estimated on the date of grant using the Black-Scholes option pricing model. On exercise of unit options, consideration received and the accumulated unit options amount relating thereto is credited to trust units. Awards of options and warrants related to private placements or public offerings of units are treated as unit issue costs.

Per unit calculations
Per unit amounts are calculated using the weighted average number of units outstanding during the year. The dilutive effect on per unit amounts resulting from outstanding unit options is calculated using the treasury stock method. Under this method, the diluted weighted average number of units is calculated assuming the proceeds that arise from the exercise of the outstanding options are used to purchase units of the Trust at their average market price for the period.

Revenue recognition
Revenue from services provided and products sold is recognized at the time the service is provided and the products are delivered to the customer. Interest income is recognized on a time proportion basis.

Future income related to the finance-type lease is recognized in a manner that produces a constant rate of return on the net investment in the lease. The investment in the lease for purposes of income recognition is comprised of net minimum lease payments and unearned finance income.

Income taxes
The Trust uses the liability method of accounting for income taxes whereby, the Trust is required to: (i) determine its temporary differences between asset balances for income tax purposes and the balances recorded in accordance with GAAP; (ii) determine the periods over which those temporary differences are expected to reverse; and (iii) apply the tax rates enacted at the balance sheet date that will apply in the periods those temporary differences are expected to reverse. The Trust is required to use reasonable estimates in completing the calculation and the result of the calculation is recorded as a future income tax asset or liability.

The Trust, is a "Mutual Fund Trust" for Canadian income tax purposes. In accordance with the terms of the Declaration of the Trust, the Trust intends to distribute the greater of taxable income or 85% of distributable income each period to ensure the Trust will not be liable for income taxes under Part I of the Income Tax Act.

2 *Significant accounting policies (continued)*

Income taxes (continued)
In June 2007, new legislation relating to, among other things, the federal income taxation of publicly traded income trusts was enacted. Under the new rules, certain distributions from a "specified investment flow-through" trust (a "SIFT") will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid as returns of capital will not be subject to this tax.

The new rules do not apply to a "real estate investment trust" that meets prescribed conditions relating to the nature of its income and investments (a "Qualifying REIT"). In the opinion of management, the Trust does not currently satisfy the prescribed conditions. The new legislation is not expected to apply to the Trust until 2011 as it provides for a transition period for publicly traded entities that existed prior to November 1, 2006. As the Trust does not meet the criteria for a Qualifying REIT, GAAP requires that the future income tax asset and liability calculation and estimates reflect its current income tax status.

Temple Gardens Mineral Spa Inc., a wholly owned subsidiary of the Trust, is an operating business and provides for income tax expense using the liability method of accounting for income taxes. Current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between tax and accounting bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Change in accounting estimate
During the year ended December 31, 2007, a dispute regarding the overpayment of architectural fees was resolved whereby Temple Gardens Mineral Spa was repaid $61,396. The effect of this change is to increase cash by $61,396 and decrease goodwill by $61,396 in the period. There is no effect on the financial statements in future periods as a result of this change.

Future changes to significant accounting policies

CICA Handbook Section 3064 - Goodwill and Intangibles will be effective for interim and annual financial statements of the Trust for periods beginning after January 1, 2009. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises.

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 *Significant accounting policies (continued)*

Future changes to significant accounting policies (continued)

CICA Handbook Section 1582 - Business Combinations will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Sections 1601 - Consolidations and 1602 - Non-Controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 - Business Combinations and 1600 - Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Trust is currently considering the effect on the financial statements of the new standards.

3 *Acquisitions*

The Trust has completed the following acquisitions. The net assets acquired in the transactions are as follows:

Year ended December 31, 2008

Date	Property	Total Purchase Price	Mortgage Financing Amount
January 31, 2008	Vantage Inn and Suites Fort McMurray, Alberta	$ 19,400,000	$ 15,640,000
June 1, 2008	Best Western Wayside Inn and Suites Lloydminster, Alberta	22,500,000	-
December 30, 2008	Capri Centre Red Deer, Alberta	40,000,000	29,000,000
		$ 81,900,000	$ 44,640,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 *Acquisitions (continued)*

Year ended December 31, 2007

Date	Property	Total Purchase Price	Mortgage Financing Amount
March 22, 2007	Chateau Nova Yellowknife, Northwest Territories	$ 13,000,000	$ 6,200,000
March 30, 2007	Clearwater Suites Fort McMurray, Alberta	56,500,000	46,000,000
April 30, 2007	Merit Hotel Fort McMurray, Alberta	16,000,000	10,413,000
April 30, 2007	Merit Inn and Suites Fort McMurray, Alberta	18,800,000	12,237,500
April 30, 2007	Nomad Hotel Fort McMurray, Alberta	23,700,000	15,352,500
April 30, 2007	Nomad Suites Fort McMurray, Alberta	10,000,000	6,497,000
		$ 138,000,000	$ 96,700,000

The assets acquired in the transactions were as follows:

	Year Ended December 31 2008	2007
Land	$ 10,010,000	$ 17,718,000
Buildings	69,176,402	115,984,403
Furniture and equipment	2,700,000	5,085,000
Transaction costs	322,198	901,624
Working capital, net	1,636,891	490,408
	$ 83,845,491	$ 140,179,435
Consideration:		
Cash	$ 39,205,491	$ 43,479,435
Mortgage financing	44,640,000	96,700,000
	$ 83,845,491	$ 140,179,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 *Marketable securities*

	December 31 2008	December 31 2007
Marketable equity securities	$ 665,550	$ -
Guaranteed investment certificates	318,300	-
	$ 983,850	$ -

Marketable equity securities are recorded at fair value based on published market value and are classified as held for trading financial instruments. The investments were written down from their original cost by $881,797 during the year.

Guaranteed investment certificates bear interest at 1.25-2.5% with maturity dates in 2009.

5 *Property and equipment*

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Land	$ 29,012,539	$ -	$ 29,012,539
Buildings	205,025,300	(7,130,860)	197,894,440
Furniture and equipment	9,573,528	(1,425,350)	8,148,178
	$243,611,367	$ (8,556,210)	$235,055,157

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Land	$ 19,002,539	$ -	$ 19,002,539
Buildings	135,472,872	(2,848,085)	132,624,787
Furniture and equipment	6,561,561	(630,499)	5,931,062
	$161,036,972	$ (3,478,584)	$157,558,388

Amortization of property and equipment consists of the following:

	Year Ended December 31 2008	Year Ended December 31 2007
Buildings	$ 4,282,773	$ 2,705,768
Furniture and equipment	794,851	510,486
	$ 5,077,624	$ 3,216,254

6 *Mortgage receivable*

The $6,610,920 mortgage receivable is due May 1, 2009 and bears interest at 10% per annum with payments of principal and interest due at maturity. The loan is secured by charges on the Nova Inn in Edson, Alberta and the Nova Inn in Whitecourt, Alberta. As additional consideration for advancing these funds, the Trust has received the right of first refusal to acquire the Nova Airport Hotel in Fort McMurray, Alberta, the Nova Inn in Peace River, Alberta and the Nova Inn in Whitecourt, Alberta. The right of first refusal agreements expire December 31, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

6 *Mortgage receivable (continued)*

The mortgage receivable as at December 31, 2008 included accrued interest receivable of $610,920 (2007 - nil). The revenue is included in interest and other income in the financial statements for the year ended December 31, 2008 of $628,258 (2007 - $139,179).

7 *Net investment in lease*

In 2002, Temple Gardens Mineral Spa Inc. entered into co-ownership of a Moose Jaw casino complex property. The co-ownership completed the development of a 23,400 square foot building and 140 parking stalls. The entire property is subject to a 25 year lease and the tenant must acquire ownership of the property at the end of the lease term for consideration of $1. Under the terms of the lease, the tenant is responsible for all and every cost arising from or related to the leased premises, including the cost of replacement of the structure and foundation.

Pursuant to the terms of the co-ownership agreement, the co-owners each hold a 50% equity interest in the co-ownership, with all equity contributions, distributions, and net income allocations being made on this same 50% basis.

Future income related to the finance-type lease is recognized in a manner that produces a constant rate of return on the net investment in the lease. The investment in the lease for purposes of income recognition is comprised of net minimum lease payments and unearned finance income. The effective interest rate of the net investment in lease is 7.31%.

Interest income included in interest and other income for the year ended December 31, 2008 was $341,142 (2007 - $348,560).

The net investment in lease includes the following:

	December 31 2008	December 31 2007
Total minimum lease payments receivable	$ 8,437,500	$ 8,887,500
Unearned income	(3,678,719)	(4,019,860)
Net investment in lease	4,758,781	4,867,640
Less current portion	(116,819)	(108,859)
	$ 4,641,962	$ 4,758,781

The Trust's proportionate share of future minimum lease payments is $450,000 per annum through October 2011 escalating to $477,500 until the end of the lease term, October 1, 2026.

8 *Other assets*

	December 31 2008	December 31 2007
Deposits on potential acquisitions	$ 250,000	$ 525,000
Cash in escrow	669,311	445,000
Other	288,656	83,003
Deposit on hotel expansion	500,000	-
Franchise application fee	94,225	-
	$ 1,802,192	$ 1,053,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9 *Long-term debt*

Long-term debt consists of the following:

	December 31 2008	December 31 2007
First mortgage loans secured by specific hotel properties bearing interest at fixed rates between 5.06% and 7.30% (weighted average interest rate - 6.35%, 2007 - rates between 5.51% and 7.5%, weighted average interest rate - 6.47%) and maturing between November 30, 2009 and October 5, 2013.	$152,268,599	$107,372,615
10% unsecured loan payable to Saskatchewan Water Corporation, maturing December 1, 2009.	15,805	30,110
Moose Jaw Casino Co-ownership - 7.08% loan payable, maturing September 1, 2027 secured by a specific assignment of the Saskatchewan Gaming Corporation lease.	3,871,169	3,968,084
Second mortgage loan - secured by a specific hotel property with payments of interest only, maturing February 1, 2010. Interest is 6% until August 1, 2009 and 20% thereafter.	10,000,000	10,000,000
6% Second mortgage loan - secured by a specific hotel property with blended payments of principal and interest of $41,994, maturing November 1, 2013.	5,000,000	-
11.25% Blanket second mortgage loan - secured by specific hotel properties with payments of interest only, maturing January 31, 2011.	200,000	-
	171,355,573	121,370,809
Transaction costs	(1,492,488)	(1,647,500)
Less current portion - net of transaction costs of $576,015 (December 31, 2007 - $528,586)	(11,132,872)	(13,254,446)
	$158,730,213	$106,468,863

Transaction costs are incremental costs that are directly attributable to the acquisition of mortgage financing and include both fees and charges, brokerage fees and commissions, legal fees, advisor and similar costs. Transaction costs are amortized over the term of the respective mortgages using the effective interest method. The transaction cost amortization for the year ended December 31, 2008 amounted to $689,460 (2007 - $355,889).

As a condition of long-term debt the Trust is required to maintain certain debt service coverage ratios and certain debt to equity ratios. In addition, capital expenditures must not exceed certain maximums. As at December 31, the Trust has complied with the covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

9 *Long term debt (continued)*

Approximate principal repayments are as follows:

12 months ending December 31

2009	$ 11,708,887
2010	47,754,937
2011	10,679,037
2012	51,594,913
2013	24,175,362
Thereafter	25,442,437
	$171,355,573

10 *Defeasance assets and defeased liability*

In conjunction with the refinancing of the Merit and Nomad hotels on September 24, 2007, an existing $3,690,806 loan was defeased. The defeased loan is payable in monthly payments of $56,551, bears interest at 9.41%, was originally amortized over 15 years and is due April 1, 2010. The Trust purchased Government of Canada bonds in the amount of $4,151,677 and pledged them as security to the debtholder. The bonds mature between June 1, 2009 and December 1, 2009, have a weighted average interest rate of 4.14% and have been placed in escrow. The defeasance assets and the defeased liability will be measured at amortized cost using the effective interest rate method of amortization until April 1, 2010 at which time the debt will be extinguished.

Interest and other income includes $155,456 (2007 - $46,748) for the year ended December 31, 2008 of interest earned on the defeasance assets. Finance expense includes $336,266 (2007 - $91,173) for the year ended December 31, 2008 of interest expense on the defeased liability. Finance expense includes $37,752 (2007 - $8,907) for the year ended December 31, 2008 of amortization of defeasance transaction costs. The unamortized balance of the defeasance transaction costs is $56,053 (2007 - $93,805).

11 *Convertible debentures*

As as December 31, 2008 the Trust has two series of convertible debentures outstanding:

Series A
The Trust issued $15,680,000 of Series A convertible redeemable debentures by way of private placement on February 15, 2007. The debentures are unsecured, bear interest at 7.5% payable semi-annually and mature on March 31, 2012. The debentures are convertible to trust units at any time during their term at a price of $5.75 at the option of the debenture holder.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from March 31, 2010 and prior to March 31, 2011, providing that the 20-day weighted average trading price of the units is at least $7.1875 and, on or after March 31, 2011, at their principal amount.

During the year ended December 31, 2008, $11,914,200 (2007 - $1,301,300) of debentures were converted to 2,072,002 trust units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 Convertible debentures (continued)

Series B
The Trust issued $30,000,000 of Series B convertible redeemable debentures by way of private placement on April 8, 2008. The debentures are unsecured, bear interest at 8.5% semi-annually and mature on April 30, 2013. The debentures are convertible to trust units at any time during their term at a price of $7.50 at the option of the debenture holder.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from April 30, 2011 and prior to April 30, 2012, providing that the 20-day weighted average trading price of the units is at least $9.375 and, on or after April 30, 2012, at their principal amount.

During the year ended December 31, 2008, $10,033,900 of debentures were converted to 1,337,840 trust units.

The following schedule allocates the convertible debentures between the debt and equity components on the basis of the net present value of future interest and principal payments at an estimated cost of borrowing without conversion option as reflected in the schedules:

December 31, 2008	Estimated Cost of Borrowing	Debt	Equity	Total	Face Value
Series A	12 %	$ 2,192,342	$ 412,489	$ 2,604,831	$ 2,464,500
Series B	13 %	16,963,556	3,265,807	20,229,363	19,966,100
Transaction costs		(1,077,537)	-	(1,077,537)	-
		$18,078,361	$ 3,678,296	$21,756,657	$ 22,430,600

December 31, 2007	Estimated Cost of Borrowing	Debt	Equity	Total	Face Value
Series A	12 %	$12,257,412	$ 2,406,586	$14,663,998	$ 14,378,700
Transaction costs		(768,237)	-	(768,237)	-
		$11,489,175	$ 2,406,586	$13,895,761	$ 14,378,700

Transaction costs are incremental costs that are directly attributable to issuance of convertible debentures and include both fees and charges, brokerage fees and commissions, legal fees, advisor fees and similar costs. Transaction costs are amortized over the term of the debenture using the effective interest method. The transaction cost amortization for the year ended December 31, 2008 amounted to $158,085 (2007 - $105,944).

The accretion of the debt component for the year ended December 31, 2008 of $534,606 (2007 - $310,909), which increases the debt component from the initial carrying amount, is included in financing expense on convertible debentures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

12 *Finance expense*

Financing costs are comprised of the following:

	Year Ended December 31 2008	Year Ended December 31 2007
Mortgage loan interest	$ 8,737,170	$ 7,379,791
Defeasance mortgage interest	336,266	91,173
Accretion of the debt component of convertible debentures	534,606	310,909
Interest on debentures	1,787,893	1,019,434
Amortization of transaction costs	847,545	461,833
Amortization of defeasance transaction costs	37,752	8,907
	$ 12,281,232	$ 9,272,047

13 *Income taxes*

Deductible temporary differences related to the Trust are reversed during 2008. The expected tax rates applicable to SIFT's of 29.5% for 2011 and 28.0% for 2012 and later have been applied in the periods that temporary tax differences of the Trust are expected to reverse. The effective tax rate of Temple Gardens Mineral Spa Inc. is approximately equal to the Saskatchewan statutory rate of 32.0% (2007 - 35.62%). Income tax transactions are comprised of the following:

	Year Ended December 31 2008	Year Ended December 31 2007
Current income tax	$ 616,191	$ 446,020
Future income tax	338,616	56,403
	$ 954,807	$ 502,423

The future tax liability of the Trust and its wholly owned subsidiary corporations consists of the following:

	December 31 2008	December 31 2007
Tax liabilities related to difference in tax and book values	$ 4,172,540	$ 3,079,532
Tax assets related to deductible issue costs	(845,052)	(90,660)
	$ 3,327,488	$ 2,988,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14 Related party transactions

Asset management agreement
The Trust entered into an asset management agreement, for an initial term expiring October 1, 2011, with Shelter Canadian Properties Limited, a unitholder. The agreement provides for Shelter to receive an asset management fee of 1.5% of the gross revenues of the Trust and its subsidiaries on a consolidated basis. The asset management agreement requires Shelter to act as administrator of the Trust by providing accounting, human resource services, office space and equipment and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of the Trust.

The Trust incurred service fees to Shelter Canadian Properties Limited of $858,658 for the year ended December 31, 2008 (2007 - $526,715).

Hotel management
Temple REIT has retained Atlific Hotels and Resorts to manage all of the hotels for its existing property portfolio. In 2007, the Trust paid base management fees of $983,610 (2007 - $482,917).

15 Trust units

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Units	Amount	Units	Amount
Outstanding, beginning of period	9,295,010	$ 41,044,887	2,345,837	$ 8,620,218
Units issued by private placement	-	-	6,496,000	32,480,000
Units issued on exercise of options	107,167	565,811	161,164	613,492
Value associated with options exercised	-	36,558	-	35,642
Units issued on exercise of warrants	-	-	65,701	328,505
Value associated with warrants exercised	-	-	-	32,119
Units issued on exercise of convertible debentures	3,409,842	18,729,091	226,308	1,110,110
Equity component of debentures converted	-	3,635,319	-	217,801
Unit issue costs	-	(1,421,498)	-	(2,393,000)
Outstanding, end of period	12,812,019	$ 62,590,168	9,295,010	$ 41,044,887

16 Unit options and warrants

Option plan
The Trust may grant options to trustees, senior officers, employees of the Trust or of a subsidiary of the Trust, management company employees of the Trust or any subsidiary of the Trust investor relations' consultants and technical consultants to the Trust.

The maximum number of units reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding units. The maximum number of units that may be issued to a participant shall not exceed 5% of the total number of issued and outstanding units provided that person is other than a consultant or person employed in investor relations activities and 2% of the total number of issued and outstanding units for all consultants and persons employed in investor relations activities.

The Trustees set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the discounted market price of the shares. The discounted market price is the market price of the shares, less a discount, which shall not exceed 25% if the market price is $0.50 or less, 20% if the market price is from $0.51 to $2.00, and 15% if the market price is above $2.00 as determined under the policies of the Exchange.

16 *Unit options and warrants (continued)*

Option plan (continued)

The options have a maximum term of five years from the date of grant unless otherwise specifically provided by the Board of Trustees and authorized by the Exchange. For a participant employed in investor relations activities, no option shall be exercisable for a period exceeding 12 months from the date of grant, with no more than 1/4 of the options vesting in any three-month period.

Unit options

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Unit options	Weighted Average Exercise Price	Unit options	Weighted Average Exercise Price
Outstanding, beginning of year	174,833	$ 4.75	237,997	$ 4.01
Unit options granted during period	400,000	6.19	98,000	5.00
Unit options exercised during period	(107,167)	5.28	(161,164)	3.81
Unit options outstanding and vested, end of year	467,666	$ 5.86	174,833	$ 4.75
Weighted average remaining life (years)	3.85		3.76	

On May 1, 2007, the Trust granted options to purchase 98,000 units at $5.00 per unit. The options were granted to four independent trustees, the chief financial officer and to a management employee of Shelter Canadian Properties who is engaged in TREIT related functions. The options will expire five years from the date they were granted. The fair value of $43,306 associated with the options issued, included in trust expense, was calculated using the Black-Scholes model for option valuation and charged to unit-based compensation, assuming a weighted average volatility of 31% on the underlying units, a dividend yield rate of 12.30% and the weighted average risk free interest rate (typically the Canada bond rate at the date of grant).

On January 29, 2008, the Trust granted options to purchase 400,000 units at $6.19 per unit. The options will expire five years from the date they were granted. The fair value of $109,304 associated with the options issued, included in trust expense, was calculated using the Black-Scholes model for option valuation and charged to unit-based compensation, assuming a weighted average volatility of 31% on the underlying units, a dividend yield rate of 15.50% and the weighted average risk free interest rate (typically the Canada bond rate at the date of grant).

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16 *Unit options and warrants (continued)*

Warrants

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Unit Warrants	Weighted Average Exercise Price	Unit Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -	78,144	$ 5.00
Unit warrants exercised during period	-	-	(65,701)	5.00
Unit warrants expired during period	-	-	(12,443)	5.00
Unit warrants outstanding and vested, end of year	-	$ -	-	$ -

17 *Investment in co-ownership*

During the 2002 fiscal year, Temple Gardens Mineral Spa Inc. entered into co-ownership of a Moose Jaw casino complex property. The co-ownership completed the development of a 23,400 square foot building and 140 parking stalls. The entire property is subject to a 25 year lease and the tenant must acquire ownership of the property at the end of the lease term for consideration of $1. Under the terms of the lease, the tenant is responsible for all and every cost arising from or related to the leased premises, including the cost of replacement of the structure and foundation.

Pursuant to the terms of the co-ownership agreement, the co-owners each hold a 50% equity interest in the co-ownership, with all equity contributions, distributions, and net income allocations being made on this same 50% basis.

Summarized financial information of the Trust's interest in a jointly controlled entity, which has been proportionately consolidated, is as follows:

	Year ended December 31	
	2008	2007
Assets	$ 4,789,720	$ 4,968,474
Liabilities	$ 3,895,554	$ 3,993,408
Net income	$ 67,218	$ 87,716
Cash flow from operations	$ (12,121)	$ (11,078)
Cash flow from investing	$ 108,859	$ 101,440
Cash flow from financing	$ (96,915)	$ (90,401)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 *Per unit calculations*

Basic per unit information is calculated based on the weighted average number of units outstanding for the period. Diluted per unit information is calculated based on the weighted average diluted number of units for the period, considering the potential exercise of outstanding unit options to the extent that the unit options are dilutive and the potential conversion of outstanding convertible debentures to the extent that the debentures are dilutive. There are no anti-dilutive options or convertible debentures.

Income per unit calculations are based on the following:

	Year Ended December 31	
	2008	2007
Income	$ 8,708,263	$ 3,267,422
Diluted Income	$ 11,188,847	$ 3,267,422
Weighted average number of units	11,499,565	8,028,513
Dilutive options	100,894	52,909
Dilutive convertible debentures	3,416,251	-
Weighted average number of diluted units	15,016,710	8,081,422

19 *Distribution of income*

Distributions to unitholders are computed based on distributable income as defined by the Declaration of Trust.

Distributable income is a measure of cash flow that is not defined under Canadian generally accepted accounting principles, and accordingly, may not be comparable to similar measures used by other issuers. Distributable income per unit has been calculated on a basis consistent with that prescribed by Canadian generally accepted accounting principles for calculating earnings per unit.

Distributable income is defined as net income in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization, future income taxes (recovery) expense, deducting the amount calculated, at 3.5% of revenues, for the reserve for the replacement of furniture, fixtures and equipment and capital improvements, the accretion on debt component of convertible debentures, unit based compensation, amortization, and making any other adjustments determined by the Trustees in their discretion. As outlined in the declaration of Trust, the Trust is required to distribute monthly to unitholders, the greater of, not less than one-twelfth of eighty-five percent (85%) of distributable income or any amount of net income and net realized capital gains as is necessary to ensure that the Trust will not be subject to Part I tax on its net income and net capital gains of the Trust for the calendar year.

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19 *Distribution of income (continued)*

	Year Ended December 31 2008	Year Ended December 31 2007
Net income	$ 8,708,263	$ 3,267,422
Add (deduct):		
Accretion on debt component of convertible debentures	534,606	310,909
Unit-based compensation	109,304	43,306
Amortization	5,077,624	3,216,254
Amortization of transaction costs	885,297	470,740
Change in fair value of marketable securities	881,797	-
Future income taxes expense	338,616	56,403
Reserve for replacement of furniture, fixtures and equipment and capital improvements	(1,976,845)	(1,204,230)
Distributable income	$ 14,558,662	$ 6,160,804

20 *Risk management and fair values*

Risk management
In the normal course of business, the Trust is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates and in the credit quality of its customers. Management's involvement in operations helps identify risks and variations from expectations. The Trust does not manage risk through the use of hedging transactions. As a part of the overall operation of the Trust, management takes steps to avoid undue concentrations of risk. The Trust manages the risks, as follows:

Liquidity risk
Liquidity risk is the risk that the Trust cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income which is primarily used to finance working capital and capital expenditure requirements, and is adequate to meet the Trust's financial obligations associated with financial liabilities.

A second source of liquidity is debt financing which is used to fund acquisitions and retire debt obligations at their maturity.

Interest rate risk
Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk.

Obtaining long-term mortgages with fixed interest rates minimizes interest rate cash flow risk.

Market risk
Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, currency risk, and other price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 Risk management and fair values (continued)

Credit risk
Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses.

The Trust has credit policies to address credit risk, which are applied when granting credit and does include the analysis of the financial position of the debtor and review of credit limits. The Trust also does review credit history and credit performance as part of the credit accreditation process. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The following is an aging of rents receivable past due but not impaired:

	December 31 2008	December 31 2007
Accounts receivable:		
0 to 30 days overdue	$ 264,555	$ 171,965
More than 30 days overdue	145,679	417,910
	$ 410,234	$ 589,875

The following is an analysis of bad debt charges to income included in hotel operating costs:

	Year Ended December 31 2008	Year Ended December 31 2007
Amounts charged to income	$ -	$ 118,368
Percent of hotel revenue	0.00%	0.36%

Currency risk
Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Trust has no transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Trust are not exposed to other price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 *Risk management and fair values (continued)*

Fair values
Financial instruments include cash, accounts receivable, investment in marketable securities, mortgage receivable, cash in escrow, defeasance assets, accounts payable, long-term debt, defeased liability, and the debt component of convertible debentures payable. Except for the defeasance asset, long-term debt, defeased liability, and the debt component of convertible debentures; the carrying values of these financial instruments approximate fair value due to the short term nature of financial instruments.

The carrying value of the long-term debt are impacted by changes in market yields which can result in differences between the carrying value and fair value of instruments. The fair value of long-term debt has been estimated based on the current market rates for debt with similar terms and conditions. The estimated fair value of long-term debt as at December 31, 2008 is $178,999,334 (December 31, 2007 - $119,926,760).

The carrying value of the debt components of convertible debentures payable are impacted by changes in market yields which can result in differences between the carrying value and fair value of instruments. The fair value of the debt component of convertible debentures payable has been estimated based on the current market rates for debentures with similar terms and conditions. The carrying value of the debt component of convertible debentures payable for the year ended December 31, 2008 and December 31, 2007 approximates fair value.

The marketable equity securities are recorded at fair value based on market values as at December 31, 2008.

The fair value of the defeasance assets and the defeased liability is nil on a net basis as cash flows to the Trust will be nil.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at year-end may not represent fair values at any other date. The determination of fair value is affected by the use of judgment and by uncertainty.

21 *Management of capital*

The capital structure of the Trust is comprised of the following:

	December 31 2008	December 31 2007
Mortgage debt	$ 169,287,070	$ 119,194,723
Convertible debentures		
Debt component	18,078,361	11,489,175
Equity component	3,678,296	2,406,586
	21,756,657	13,895,761
Trust units	62,590,168	41,044,887
Total	$ 253,633,895	$ 174,135,371

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 *Management of capital (continued)*

The Trust manages capital in order to safeguard its ability to continue as a going concern; to help ensure that returns are provided to Unitholders, and to help ensure an appropriate balance of risk and return.

The overall capital management strategy addresses the following considerations:

- The equity component of acquired properties is primarily funded from the proceeds of trust units or convertible debentures.
- Mortgage debt financing is arranged to optimize the leveraged returns from the hotel portfolio.
- Total mortgage debt financing is maintained within the overall debt limits as established by the Declaration of Trust. The Declaration of Trust allows total mortgage indebtedness of the Trust up to 75% of the appraised value of all properties.
- The Trust will endeavour to obtain a fixed rate of interest.
- Mortgage due dates are structured to reflect the nature of the properties being financed and debt maturity dates will be staggered, to the extent possible, in order to manage refinancing risk.

As of December 31, 2008 and December 31, 2007, total mortgage indebtedness was 58% and 60% respectively of the 2007 appraised value of properties.

The Trust monitors capital from time-to-time using a variety of measures which are applicable to the hotel industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Trust to access capital and/or reduce the cost of capital.

In order to maintain or adjust the capital structure the Trust may issue units, debentures or mortgage debt; adjust the amount of distributions paid to shareholders; return capital to shareholders; or reduce debt.

Market requirements for attracting capital may vary and may not be accurately predicted by the Trust.

22 *Commitments*

The Trust is committed under the terms of operating lease agreements for occupancy and equipment with the following annual lease payments over the next five years and thereafter.

2009	493,407
2010	489,530
2011	489,530
2012	430,942
2013	138,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 Commitments (continued)

Construction contract
On August 1, 2008, the Trust entered into a fixed price contract in the amount of $19,040,000 for the construction of a fully finished 68 room addition to the Merit Hotel in Fort McMurray, Alberta. The contract includes a $500,000 initial payment and $18,540,000 payable on full completion at the end of 2009. The final payment will be partially satisfied by the issuance of a $4,500,000 4.5% Series C Convertible Debenture due December 31, 2014. The debenture will be convertible at anytime into 300,000 units at $15 per unit. The balance of the final payment of $14,040,000 is expected to be funded from an additional advance under the existing first mortgage on the Merit Hotel.

Hotel management
Temple REIT has retained Atlific Hotels and Resorts to manage all of the hotels for its existing property portfolio. For the year ended December 31, 2008, the Trust paid management fees of $983,610 (2007 - $482,917).

UNITHOLDER INFORMATION

Trustees and Officers

The investment policies and operations of Temple REIT are subject to the control of the trustees, pursuant to the terms of a Declaration of Trust. The Declaration of Trust provides for a minimum of three trustees and a maximum of ten trustees and requires that the majority of trustees be independent trustees. The Declaration of Trust provides Shelter Canadian Properties Limited with the right to appoint one trustee.

The current trustees of Temple REIT are Ms. Rosanne Hill Blaisdell, Mr. Gary Buckley, Mr. David Drybrough, Mr. Rod Marlin and Mr. Arni Thorsteinson. Ms. Hill Blaisdell is the Managing Director for Harvard Buildings Inc. and Vice President of Leasing for Harvard Developments. Mr. Buckley is the owner of the Elkhorn Resort and Conference Centre and the owner/operator of various other real estate properties. Mr. Drybrough was Vice President of Gendis Inc. prior to his retirement in January 2004. Mr. Marlin is the President, CEO and Director of Eveready Inc.(formerly Eveready Income fund). Mr Thorsteinson is the President of Shelter Canadian Properties Limited and serves as Chief Executive Officer of Temple REIT. Mr. Thorsteinson is the appointee of Shelter Canadian Properties Limited.

The Chief Financial Officer of Temple REIT is Mr. John Liddle, CGA, Manager, Financial Reporting - Multi-Family Rental, Condominium & Retirement Properties for Shelter Canadian Properties Limited.

Asset Manager of the Trust

Shelter Canadian Properties Limited has been appointed by the Trustees, pursuant to the terms of the Asset Management Agreement, to provide asset management services, to administer the daily affairs of Temple REIT and to perform the accounting and reporting functions of Temple REIT.

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Unit Listing

TSX Venture Exchange
Unit trading symbol: TR.UN
Debenture trading symbol: TR.DB.A
TR.DB.B

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